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Happy Christmas from TAYLOR WOODROW

NEWS SUMMARY

GENERAL

Lifeboat sinks in storm; 16 die

Sixteen people died at sea amid hurricane-force winds and 40ft waves off the Cornish coast.

Eight were lifeboatmen from Mousehole village. They took four people from the stricken coaster Union Start, and apparently then turned back to try to rescue four more. The boat is believed to have been holed and sunk. Six bodies were found last night.

Elsewhere in Britain, renewed blizzards, floods and gales blocked roads, stranded motorists and cut power lines. Weather forecast, Back Page

Saudis rap Iran

Saudi Arabia called Iran the "terrorist of the Gulf" and offered other moderate Arab states internal security aid. Page 2

2,500 held

Egypt's Interior Minister said 2,500 people had been detained in a crackdown on extremists since President Sadat was assassinated in October.

'No compromise'

Premier Margaret Thatcher, in Conservative News, promised not to relax economic policy now that Britain was on the verge of lasting recovery. Back

Groceries rise

Grocery prices this month rose for the fourth successive month, but not as much as expected. Page 6

Mugabe honoured

Zimbabwe Premier Robert Mugabe became an honorary citizen of Mozambique, the base for his guerrillas during the war for independence. Bomb, Page 2

Coup fails

Two men were killed and 10 hurt in a failed coup in the Dominican Republic, apparently aimed at restoring former premier Patrick John to power.

Afghan 'attack'

Pakistan said six Afghan helicopter gunships attacked a refugee camp in Pakistan, killing a child.

Beirut bombs

A car bomb killed two people in Beirut shortly after a bomb at a petrol station killed 11 and hurt nine, state radio said.

Cyst removed

A Bristol woman had a 9st 11½lb ovarian cyst removed, British Medical Journal reported. She now weighs 9st 11lb.

Cheaper cars

Buying cars cheaply in Europe and importing them to Britain is likely to be made slightly easier. Back Page

Runcie for China

Dr Robert Runcie, Archbishop of Canterbury, will visit China next month in a 16-day Far Eastern tour.

After or instead

A pint of water and a dose of effervescent salts is the best hangover cure, Pulse medical magazine reported.

Disharmony

Glamorgan vicar Denis Bevan has recruited Brownies to sing carols. His choir of 20 had quit in support of the organist, sacked by Mr Bevan after marrying in a register office.

Briefly . . .

France beat Britain 19-2 at rugby league.

Dial-a-carol service starts today. Ring 160 in main cities, 16 elsewhere.

BUSINESS

UK bid to heal trade rift with Malaysia

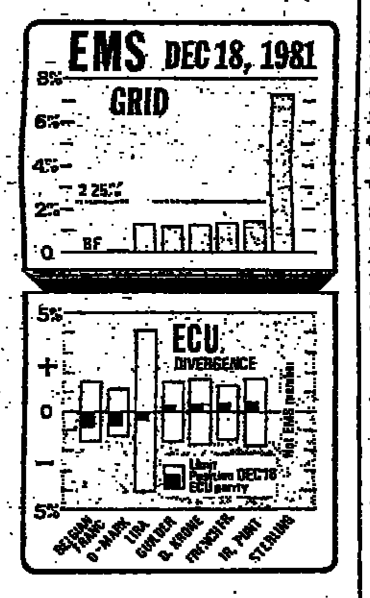
● WHITEHALL committee has been formed to co-ordinate an attempt to heal the rift in trade relations between Britain and Malaysia which could cost UK companies billions of pounds. Back Page

● INTERNATIONAL Commodities Clearing House may lose the contract to service London's new financial futures market unless it ends a wrangle over its future ownership. Back Page

● VOLATILE movement by the Belgian franc was the major factor influencing the European Monetary System. A rise in Belgium's discount rate helped the franc improve on Monday, after a period when the currency had been below its alarm-bell divergence limit.

It then rose very sharply as the Belgian National Bank put severe pressure on speculators, while the end of Belgium's political crisis was also a helpful factor.

Very wide rates in forward trading and high Eurofranc interest rates illustrated the very nervous conditions, and the sudden rise was shortlived, with the Belgian franc finishing as the weakest EMS currency again on Friday. The Irish punt finished at the top of the system, but other members showed little change.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● UK INSTITUTIONS have taken stakes of 3-13 per cent in several small U.S. banks in return for providing $40m (£21.3m) in new capital. Back Page

● NEW YORK Daily News, the largest general circulation daily newspaper in the U.S., is to be sold by the Chicago Tribune Group. Page 17

● GUINNESS PEAT life president Lord Kissin is thought to favour the appointment of a new chief executive, leaving Mr Edmund Dell, present chief executive, to concentrate on the job of group chairman. Back Page

Appointments

The Financial Times is now publishing an international appointments column every Monday. This will normally appear on the second International Capital Markets page, which totday is Page 17. UK appointments appear on Page 18.

Ministers study call to break state sector union power

BY JOHN LLOYD, LABOUR CORRESPONDENT

MINISTERS ARE studying proposals from the Engineering Employers Federation aimed at breaking "monopoly union power in the public sector" by allowing employers to lay off workers without payment in the event of serious disruptive action, such as a miners' strike.

The federation, the country's major single industry employers group, attacked two of the main planks in the Government's proposed industrial relations legislation.

It criticised the proposals concerned with paying large sums to the victims of closed shops, and subjecting closed shops to periodic review.

The federation prefaces criticism of proposed law changes by observing that changes in the political climate "have made it seem less inevitable that needed reforms introduced by one Government would be rescinded automatically by a change in Goverment."

It stresses that this "imposes a greater obligation to ensure that the character of the reforms is correctly judged."

The federation, representing some 6,000 engineering companies employing 1.5m, says in a submission to Mr Norman Tebbit, Employment Secretary, that it has the "strongest practical objections to the proposed new compensation rates payable to workers who lost their jobs because they would not join a closed shop."

It says the rates "are so framed that they will do more to tempt many employees to try for the money than to compensate a relatively small number of genuine cases for the loss of their jobs."

The federation says proposals to subject existing closed shops to periodic review was a most dangerous proposition.

It says that because a review would be implemented within 12 months of the new Act's coming into force, "it would provide the unions with the opportunity to launch throughout industry a simultaneous campaign of opposition to the Government's legislation—and this, probably, in the sensitive period of run-up to the next general election."

Its proposal to breach public sector unions' monopoly power—submitted to the Government before the proposed legislation was issued and ignored—is urged again.

It's fresh plea is made in the light of "the current successful opposition of unions in the public sector to the Government's pay guidelines; and by the possibility that industrial action will take place before long in public sector undertakings—perhaps in the water and coal industries and on the railways—which could have the most seriously disruptive effects on private industry."

The federation's plan is to allow employers to lay off workers when they are unable to provide work for them because of "serious industrial action which paralyses large sections of the economy." In such a case, the employers would be relieved of paying redundancy pay, or of observing the statutory notice and consultation periods.

A related proposal would allow an employer whose business was disrupted by industrial action by some employees, to lay off others without pay.

A clause along these lines was proposed by the Newspaper Publishers Association last year, but was not accepted by print unions — though Mr Rupert Murdoch, Times Newspapers' owner, in effect did this in a dispute with machine managers in September.

Industry puts up prices at faster rate

By John Elliott, Industrial Editor

PRICES OF goods produced by manufacturing industry have begun to move upwards at a faster rate during the past six months after a year of very low rises, according to the Confederation of British Industry's latest monthly industrial trends survey.

But the manufacturing output remained very flat in November, according to the survey published this morning. This contrasts with a marked improvement in industrial output reported last week by the Treasury, and with the growing public optimism of ministers.

There was also a decline in the buoyancy of export order books, according to the CBI survey, cancelling out a marked improvement in export orders recorded by the CBI a month earlier.

The survey also showed that prospects may not be as bright as had been expected in certain metal manufacturing industries. Following an earlier upturn in output when companies placed orders to correct some of the effects of destocking, hopes of improved output in the next four months have now declined. But confidence about output remains strong in the chemical and allied industries.

The survey results, published this morning, confirm industrialists' fears that manufacturing industry will not revive quickly and that in its currently depressed state it is specially sensitive to increases in the level of sterling.

The results have strengthened CBI leaders' determination to persuade the Government to introduce considerable concessions for industry in next spring's Budget. This was put forcibly to Sir Geoffrey Howe, the Chancellor, by CBI leaders last Thursday.

Increases in home prices are planned by 50 per cent of the 1,754 companies responding to the survey.

Only 3 per cent said they were planning to reduce prices. This produced a positive balance of 47 per cent compared with 39 per cent a month earlier and 21 per cent in June.

The increases reflect some recovery of business confidence. But they are likely to have been more heavily influenced by two other factors. UK companies competing against imports have been able to increase their prices because changes in the level of sterling have raised the prices of imported goods. Falls in the excessive levels of stocks have also had an impact.

There was a continuing gradual improvement in total order-books during November despite the weaker export trends.

CBI launches "Buy British" campaign Page 6

Begin in bitter attack on U.S. over Golan

BY DAVID LENNON IN TEL AVIV

MR MENAHEM BEGIN, the Israeli Prime Minister, yesterday launched an unprecedentedly vicious attack on the U.S. because of its response to Israel's annexation of the Syrian Golan Heights. He said he considered the agreement on strategic co-operation cancelled and indirectly accused the Reagan Administration of anti-semitism.

The tone of the attack stunned both Israelis and western diplomats, and it is expected to plunge Washington-Jerusalem relations to a new low. They were strained earlier in the year by the Israeli attack on the Iraqi nuclear reactor and the PLO headquarters in Beirut, but the current row over the Golan annexation has a tone of bitterness not heard before.

Western diplomats expressed fears last night that a now clearly unrestrained Israel may next decide to launch an attack against Syrian and Palestinian targets in Lebanon. Earlier this week Israel placed its forces on the alert and moved military reinforcements to the north.

Mr Begin called in Mr Samuel Lewis, the U.S. Ambassador to Israel, yesterday morning and told him: "The people of Israel have lived for 3,700 years without a strategic co-operation agreement with America and can continue without it for another 3,700 years."

He accused the U.S. of treating Israel like a vassal state and said that, following its action in Vietnam, the U.S. had no right to give Israel moral lessons.

In an emotional diatribe the Premier accused the Reagan Administration of treating Israel like a "banana" republic, of defaulting on its economic undertakings to purchase weapons in Israel, and of conducting an anti-semitic campaign when trying to win Senate approval for the sale of Awacs to Saudi Arabia.

Raging against the U.S. decision to suspend its strategic cooperation agreement with Israel for annexing the Golan, the Premier said: "What sort of talk is that, to punish Israel? Are we a vassal state of yours? Are we a banana republic? Are we 14-year olds whose knuckles you rap if we don't behave ourselves? You will not frighten us with punishments."

Noting that Washington said it would decide on resuming discussions on strategic co-operation in the light of the progress made in the autonomy negotiations and the situation in Lebanon, Mr Begin said: "You are trying to turn us into hostages of the memerandum of understanding on strategic co-operation. I regard your announcement of the suspension of the agreement as its cancellation. No sword of Damocles will be suspended over our heads."

Turning to the economic consequences of the suspension of aid worth up to $350m, the Premier said: "What did you want to do, hit us in our pockets?

"Now I understand why all the efforts in the Senate to find a majority in favour of the Saudi arms deal was accompanied by a horrible anti-semitic drive," the Premier continued. "No one will frighten the Jews with anti-semitic propaganda. The Jews of the U.S. will stand by us.

Unions may cut off cash if Labour feud continues

BY JOHN LLOYD AND PETER RIDDELL

UNION LEADERS are preparing a strategy for rallying the Labour Party and mounting widespread opposition to the Government's proposed employment legislation, to be launched early in the new year.

Trade Unions for a Labour Victory—a group which includes all major unions apart from the Mineworkers—is to meet the Labour Party leadership at a union training school in Bishop's Stortford, Herts, on January 5 and 6.

Plans should be agreed to involve the unions more closely in Labour campaigns, and to identify ways in which funds and expertise can be pumped into the party in an attempt to recapture some of the momentum it has lost to the Social Democrats.

While the TULV is formally "non political" in Labour Party terms, senior union leaders made it clear last night that they would use the occasion to tell the politicians that unless the feuding ends and the party is put in sufficiently good shape to have a chance of winning the next general election, then funds will not be forthcoming.

Many union leaders, including several on the left, believe that most of the problems flow from the activities of the far left, and from the recent positions taken by Mr Tony Benn.

A growing number is looking more favourably at the idea of expelling the Militant Tendency and most would strongly object to any attempt by Mr Benn to stand again next year for the deputy leadership.

If Mr Benn does decide to stand, Mr John Silkin will probably join in again, to produce a three-cornered contest similar to the one Mr Denis Healey won by a hairsbreadth last September.

Many MPs, including some supporters of Mr Benn last September, are strongly opposed to a further contest because of the divisions it might provoke.

Reflecting this view, Mr Neil Kinnock, Labour's education spokesman and a key supporter of Mr Foot as party leader, said yesterday in an interview on the World this Weekend radio programme that no one should be "foolish enough to distract and divide" the party with another contest which would be "insane."

Mr Kinnock admitted he had become "very depressed in the last few weeks" about the state of the party. This view is shared by many other party leaders who are pessimistic about its election prospects.

The Bennite left is itself divided about what tactics to adopt next year. A private strategy meeting has been called for January 23 under the chairmanship of Mr Norman Atkinson, party treasurer until he was defeated last September.

The second part of the union's strategy will be aimed at defeating the legislation on union immunities and the closed shop, to be brought forward next year by Mr Norman Tebbit, the Employment Secretary.

The TUC's employment policy committee (EPOC) has already agreed to oppose the legislation with as much force as it can muster.

The TUC general council on Wednesday is expected to endorse this stance.

Several militant plans for opposition have already been mooted by unions, of which the most popular appears to be boycotting tripartite bodies, especially the National Economic Development Council, the major forum for Government, unions and employers.

The Transport and General Workers Union proposed this last month, and it has the support of the General and Municipal Workers Union, as well as of Mr Keys.

Haig plays down dispute

THE REAGAN Administration yesterday tried to calm the storm of protest from Israel at the American suspension of new military co-operation links.

In a barrage of television interviews, top officials maintained their belief that the dispute would soon pass and that, in the words of Mr Alexander Haig, the Secretary of State, Israel would remain a close friend.

Mr Ed Meese, the senior White House policy adviser, said: "The U.S. remains the best friend Israel could possibly have."

Mr Haig said: "I anticipate that Israel will abide religiously by the Camp David agreements and return the Sinai," completely next spring to Egypt. The possibility that Israel might hold the remainder of the Sinai and move to annex the West Bank and the Gaza Strip was publicly discounted. Mr Meese disclosed that the Israeli Government had promised the U.S. that it would take no military action in Lebanon unless attacked or provoked.

Mr Caspar Weinberger, the Defence Secretary, said there was "no point" in trying to match the sort of "vitriol" contained in yesterday's denunciation of the U.S.

The U.S. was disappointed that there had been "so violent a reaction" in Israel to the U.S. suspension of the three-week-old U.S.-Israeli strategic co-operation accord, he said but the action had been taken to show the U.S. intended to be even-handed in the Middle East peace process.

Polish workers still fighting on

BY OUR FOREIGN STAFF

POLISH WORKERS, resistance to martial law showed no signs of abating at the week-end in spite of claims by the military authorities that the counry was calm.

Repors of continuing strikes in the northern shipyards and the Silesian coal mines coincided with the announcement of the first defection of a Polish diplomat to the West since thet imposition of martial law a week ago.

Mr Alexander Haig, the U.S. Secretary of State, announced on American television last night that Mr Romnald Spasowski, the Polish Ambassador to Washington, had applied for asylum in the U.S. The Ambassador's wife, doughter and son-in-law had also asked for asylum. President Ronald Reagan had ordered quick action, Mr Haig said.

The Reagan Administration's top men—Mr Haig, Mr Caspar Weinberger, the Defence Secretary, and Mr Ed Meese, the senior White House policy express U.S. concern at the turn events had taken in Poland. They warned that the it could muster to moderate the U.S. would use all the leverage crackdown in Poland and prevent direct Soviet military intervention.

Mr Lawrence Eagleburger, U.S. Assistant Secretary for European Affairs, is due to fly to Europe this week to try to reach a common position on Poland with the Nato allies, sanctions, including possible use of

Mr Weinberger said he believed the European allies might now be willing to scrap the natural gas deal signed last month by some of them with the Soviet Union.

The U.S. is prepared to take comparable action, such as stopping the export of caterpillar pipelaying equipment to the Soviet Union, Mr Weinberger said.

Meanwhile, reports from Poland point to a particularly tense situation in the Katowice region in the South of the country. Contradicting reports by the official Polish news agency, (PAP) that all was calm, the Soviet news agency, Tass, claimed Solidarity Union militants were holding 1,300 miners hostage at Ziemovit mine.

The pit is only some 10 miles

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Lombard: The Pope's battalions Page 13

Banks in rescheduling talks, Page 16

Jenkin orders spending review

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A MAJOR REVIEW of the objectives and spending priorities of the Department of Industry has been ordered by Mr Patrick Jenkin, who succeeded Sir Keith Joseph as Industry Secretary in the September Cabinet reshuffle.

Mr Jenkin also plans to set up a small policy planning unit within the Department to report to him and other Ministers on key issues. It will be modelled on a "mini Think Tank" he created in his last job as Secretary for Health and Social Security.

The review of objectives has involved almost all the Department's civil servants concerned with policy. They have set down the objectives and future options of their work and a report will go to Mr Jenkin later this week.

It revolves around the Department's £2bn a year budget, and could lead to the funds being reallocated so that more help is given to growth industries rather than helping to prop up lame ducks.

"I want to take a coherent look at the areas of industry that are appropriate for Government involvement to see if we have the emphasis right," Mr Jenkin told the Financial Times in the first general interview he has given in his present job. But he stressed that he was "not interested in going down the road of protectionism or subsidy."

Mr Jenkin also welcomed the change of management style promised by Sir Michael Edwardes, chairman of BL, at the end of the company's recent pay dispute.

He denied suggestions that

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Seeking a raison d'être Page 13

CONTENTS

Saudis sign defence accord in Bahrain and denounce Tehran

SAUDI ARABIA, denouncing Iran for "exporting terrorism" to the Gulf states, signed a security pact with Bahrain yesterday. Prince Nayef Ibn Abdulaziz, the Saudi Interior Minister, also offered security aid to other moderate Arab states.

He declared that Saudi Arabia supports Iraq against Iran in the 15-month-old Gulf war, reflecting mounting antagonism between his pro-western country and the Islamic fundamentalist revolutionary administration in Tehran.

"The Iranians, who said after their revolution (in 1979) that they did not want to be the policeman of the Gulf, have become the terrorists of the Gulf," Prince Nayef said.

The signing of the accord in Bahrain comes a week after the authorities there said they had thwarted a coup attempt which they alleged was backed by Iran. The charge has been denied by the Iranians, but Prince Nayef dismissed the denial as a lie. He said the plot was also aimed at other Gulf states.

The Prince said Saudi Arabia was prepared to send security forces to any of its five partners in the Gulf Co-operation Council if needed. The kingdom had offered to sign security co-operation agreements with the five—Bahrain, Kuwait, Qatar, the United Arab Emirates, and Oman. "Some have agreed while others are still considering the matter."

The agreement with Bahrain would cover co-operation between security forces in both countries and the exchange of criminals.

Prince Nayef said Iran had "sinister, aggressive intentions." The plot uncovered in Bahrain had been aimed against all Gulf states "from Oman in the South to Kuwait.

Saudi Arabia and other members of the Gulf Council did not want to close the path of understanding with Iran and were prepared to discuss all matters of mutual interest, but they could not open a door which had been closed by the Iranians. Reuter

Iran 'ready for planning'

Beirut—Mr Hossein Musavi, Iran's Prime Minister, has promised his country that after three years of political turmoil, the Government of Ayatollah Ruhollah Khomeini is ready to provide "work, social and economic security," the official Pars news agency reported yesterday.

Iran, which will mark the third anniversary of its Islamic Revolution this February, was "standing at a point when it is actually thinking about planning," Mr Musavi added.

This had not been possible before, because "different political tendencies" had ruled the country since the overthrow of the Shah, he went on. He was referring to the Governments of Dr Mehdi Bazargan, the former Prime Minister and, later, the ousted President, Mr Abol Hassan Bani-Sadr. Both Governments had been criticised by hardliners of the ruling Islamic Republican Party
AP

Mubarak aims to overhaul economy

CAIRO — President Hosni Mubarak of Egypt has called for a thorough reassessment of the Egyptian economy before mapping out the country's future economic goals.

A big conference of economists, businessmen and representatives from political parties would be held in January to discuss Egypt's economic performance, he said.

The review is likely to precede a major re-evaluation of the country's economic policy by Mr Mubarak.

The President was quoted in the Egyptian Press yesterday as saying Egyptian economic experts were "now conducting a study on all our economic problems so that we can draw up a permanent design for our national economy."

When he took office after the assassination of President Sadat last October, Mr Mubarak stressed that the "open door" policy for foreign investment, introduced by President Sadat after the 1973 Middle East war, would continue.

But the policy has been criticised because it has not brought as much investment as originally hoped for. Mr Abdel-Razzak Abdel-Meguid, Deputy Prime Minister in charge of economy and finance, has also come in for criticism from businessmen for what they regard as a failure to follow a clear policy.

Dr Abdel-Meguid announced in the summer that he hoped to produce a balanced budget this year, but the glut on the oil market and a fall in tourism receipts after the killing of President Sadat are likely to undermine any chance of this, Western economists and diplomats believe.
Reuter

Tanzania quits Africa trade pact

LUSAKA—Tanzania's abrupt withdrawal from an 18-nation African trade agreement due to be signed here today has raised doubts about the pact's viability.

Western diplomats immediately questioned how a treaty covering a vast area of the continent could survive without a key state such as Tanzania.

Tanzania's decision came as a surprise to Ministers meeting here to put the final touches on the agenda for the signing ceremony.

The pact, setting up a preferential trade area, was hammered out in four years of tough negotiations on freer trade and regional co-operation held in collaboration with the United Nations Economic Commission for Africa.

Saturday's statement from the office of Tanzania's President Julius Nyerere in Dar-es-Salaam was particularly blunt about the reasons for the last-minute withdrawal.

"Tanzania will not be signing the preferential trade agreement because the implications of the treaty for Tanzania's existing commitments for intra-African co-operation have not been adequately studied," it said.

Some African scepticism about the pact had already surfaced as the level of delegations accepting summit invitations from the host-President, Dr Kenneth Kaunda of Zambia, became clearer.

Madagascar said it would not send anyone, and only four states—Kenya, Uganda, Djibouti and Somalia—would be represented by their Presidents, Zambian officials said. The other delegations were likely to be led by Ministers or civil servants.

The other members of the proposed pact are Angola, Botswana, Comoros Islands, Ethiopia, Lesotho, Malawi, Mauritius, Mozambique, Seychelles, Swaziland and Zimbabwe. The ultimate aim would be to set up an economic community covering Eastern and Southern Africa.

The treaty and its 12 protocols, which must be ratified by Parliaments in member-states, include provisions for industrial, agricultural, transport and communications co-operation. They also cover re-exports, tariff barriers, transit trade and clearing and payments arrangements.

The region is beset with economic and political problems, one of which was clearly reflected in Tanzania's decision to pull out.

It would have been obliged under the treaty to reopen its border with Kenya which it closed more than four years ago, accusing Nairobi of sabotaging institutions of the collapsed East African Community (EAC).
Reuter.

Dr Julius Nyerere
'Implications need study.'

Bomb 'was meant for Mugabe'

BY OUR SALISBURY CORRESPONDENT

Mr Robert Mugabe

A BOMB which wrecked the headquarters in Salisbury of Zimbabwe's ruling Zanu-PF Party was meant to kill Mr Robert Mugabe, the Prime Minister, and senior Government Ministers, according to a senior party member.

"It's obvious that the bomb was intended to get rid of most of the Zanu-PF leaders, including the Prime Minister," the official said.

Meanwhile, political analysts expressed concern at what Friday's explosion might mean to Mr Mugabe's policy of racial reconciliation.

Police have revealed no clues to the origin of the lunch-time blast which killed six people—all in an adjacent bakery—and wounded up to 150. So far, there have been no arrests.

The explosion occurred in a conference room where Zanu-PF's central committee meetings are held. The committee comprises Mr Mugabe, half his Cabinet, and senior party officials.

Mr Mugabe, expressing his horror at the bombing before leaving Salisbury for an official visit to Mozambique, said his party would not be deterred by acts of violence.

At the same time, he issued a warning to those Zimbabweans who rejected his reconciliation policy, crucial to reconstruction of the country after seven years of guerrilla war.

"If they reject reconciliation, it will reject them. My Government will soon show that this is so."

Spain jails 100 soldiers over protest

MADRID—Prison terms ranging from 14 days to two months have been given to 100 officers and men of the Spanish army who issued an anti-Government manifesto two weeks ago.

A note from the office of the Captain-General in command of Madrid military area said eight captains and one private soldier had been charged with being mainly responsible for the manifesto. In addition to the prison terms they might have to face trial for an "alleged grave offence."

The note said that a lieutenant-colonel and a major were under preventive arrest at their homes pending the outcome of a judicial investigation into their part in the affair.

The manifesto criticised the Spanish Government and Press and praised 32 military men awaiting trial for trying to overthrow the Government in an abortive coup last February.
AP

Europe's rocket passes final test

By David White in Paris

EUROPE'S Ariane rocket passed its final test at the weekend with a perfect fourth launching from the Kourou space centre in French Guiana.

The success was greeted with some relief by the French, the main backers of the project, following the teething troubles that caused the failure of the second test launching last year and a long delay before the third in June.

The launcher, which will compete in the world market with the U.S. space shuttle, is now considered fully operational. After an interim promotional phase of six launchings under special conditions, it is due to become fully commercial in mid-1983.

Development of Ariane has cost the 11 participating countries an estimated $850m since 1973.

So far 27 firm orders have been placed for satellite launchings and 16 options. The firm orders, including those from three U.S. clients, amount to nearly $500m, 40 per cent coming from outside the European Community.

Arianspace, the company set up to produce and market the rocket, hopes to take up to 30 per cent of the market for western satellite launchings between 1983 and 1990.

The fourt test rocket, carrying over one tonne, blasted off on schedule at early yesterday. It was the first time that a countdown had taken place with-interruption.

Levesque reveals his question

By Robert Gibbens in Montreal

PREMIER René Levesque of Quebec has made public the question to be put to the Parti Quebecois membership in a referendum next January.

The question will ask the membership of just over 300,000 to approve as the fundamental principles of the party that:

- A clear majority of citizens in Quebec must approve any further steps towards Quebec's accession to sovereignty;
- The party's objective of sovereignty must be linked with a concrete offer of mutually advantageous economic association with the rest of Canada;
- *The party must reaffirm* respect and openness towards minority groups and specifically the rights of Anglophones.

Mr Levesque said a straight "Yes" or "No" reply will be required coveringall three questions together, and he hopes about 100,000 members will vote in the mailed referendum.

He did not make clear what percentage of the total vote would be required for him to stay as president of the party and premier of the province.

His mini-referendum stems from the party's 13th National Convention two weeks ago, which was dominated by radical elements and passed resolutions saying the Government should fight the next election on the issue of straight independence,

Vain hunt for Nato General

By Rupert Cornwell in Rome

ITALIAN and U.S. security forces appear to be making little progress in the search for Gen James Dozier, the senior officer of the North Atlantic Treaty Organisation, who was siezed by Red Brigade terrorists at his home in Verona last Thursday.

The operations are being superintended by Sig Virginio Rognoni, the Interior Minister. A team of U.S. security officials are in northern Italy to help with the investigation, as are other anti-terrorist specialists from Nato.

So far, however, the hunt has been in vain. The first Red Brigade communique, issued in Rome at the weekend, made no specific demands in return for the general's release. The representative "of the American occupying army," it declared, was being held in a "people's prison."

Australian metal workers' wage deal confirmed

BY COLIN CHAPMAN IN SYDNEY

AUSTRALIA's employers have given the unions the Christmas present they were seeking—large wage increases and the end of the 40-hour week.

Although some small groups had already won a 38-hour week, the major breakthrough, which came earlier this month, was confirmed at the weekend when the Arbitration Commission ratified an average weekly wage increase of a $39 (£23.7) and a 38-hour week for the country's biggest group of workers, the 450,000 employed in the metal trades, and said it would be unrealistic for the settlement not to flow on to other industries.

The metal trades agreement contains a "no claims and no strikes" clause for the 12 months of the deal.

The Australian Treasury estimates the cost of the settlement at A$1,000m but believes it could rise to A$2,500m once the effects on other industries are taken into account.

Mr Alan Jones, executive director of the New South Wales Employers' Federation, said the deal could add between 16 and 18 per cent to Australia's wage bill.

The Victorian Employers' Federation said that if unions persisted in demands for substantial increases and a shorter working week inflation would be pushed from its current level of just below 10 per cent to 15 to 17 per cent. Many workers would lose their jobs as a result, the federation said.

The employers' horror at the outcome of Australia's first major pay deal since nationwide wage indexation was abandoned last August stems from a realisation of what might have happened had wage indexation been retained. In November Australia's 6.2m workers could have expected a rise of about a quarter of what now appears to be the trend.

However, if employers and the Australian Council of Trades Unions (ACTU) have one thing in common at present it is a belief that the country still needs a centralised wage-fixing system. Mr George Polites, director general of the National Employers' Industrial Council, said: "I think our people are conditioned to have the Arbitration Commission continually involved in the wage-fixing process and are a little uncomfortable without it."

Mr Simon Crean, junior vice-president of the ACTU, and secretary of the Storemen and Packers' Union, which has been in the forefront of major claims recently, said: "We are committed to the view that the commission is the most effective mechanism for granting wage increases across the spectrum of industry."

The commission to due to meet in February to decide whether to reintroduce indexation. The ACTU's view is that it is vital that it should because by then all wage agreements in the current round will have been completed. But the Treasury will be arguing that the country cannot afford yet another wage increase on top of those already negotiated.

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UK company gains £20m Siberia gas pipeline contract

BY CHARLES BATCHELOR IN AMSTERDAM AND PAUL CHEESERIGHT IN LONDON

RUSTON GAS Turbines, part of the GEC group, has won a £20m contract to provide 45 gas turbine generating sets for the eastern part of the 5,000 km Siberia-West Europe gas pipeline.

This is the third significant contract won by UK companies for pipeline equipment and comes at a time when the Netherlands, unlike the UK a potential buyer of the gas, is extending the limit of £652m credit line because Dutch companies have failed to win major equipment orders.

The Ruston contract is officially with Creusot-Loire, the French group which, with Mannesman Anlagenbau of West Germany, is management contractor for 22 compressor stations.

But Ruston was in fact nominated for the order by Machinoimport, the main Soviet buying agency for pipeline equipment.

Ruston's main competitors for the order were Konigsberg Vapenfabrik of Norway and Solar, the U.S. group whose basic equipment would have been packaged by Niigata of Japan.

The same three companies are also competing for the generating sets to be used in the western part of the pipeline where Nuovo Pignone of Italy is the management contractor. Negotiations for this section are said to be at a crucial stage.

Once that contract has been settled the basic contracts for the movement of gas along the pipeline will have been awarded. In recent weeks contracts for gas refrigeration stations, computer control systems, truck-mounted cranes and pumping station buildings have been given to a variety of west European companies.

Ruston's contract follows orders granted to John Brown and Rediffusion Computers among UK companies. But the only Dutch contract recently has been for dredgers, awarded to IHC Holland, and this was outside the £652m financing arrangement.

This package, put together by a consortium of Dutch banks in August, expires at the end of the month but may be extended for a further three months. It covers the financing for 85 per cent of the value of any orders placed with Dutch companies and carries an interest rate of 7.8 per cent.

Dutch companies are relatively expensive compared with West European competitors for pipeline deals, industrialists in Amsterdam noted. But the Economics Ministry said oportunities still remained for Dutch companies.

Greece and Iraq sign aircraft repair accord

BY VICTOR WALKER IN ATHENS

GREECE AND IRAQ have signed an agreement providing for the repair of Iraqi ships in Greek yards and the maintenance and repair of Iraqi commercial aircraft at the state-controlled Hellenic Aerospace Industry outside Athens.

The agreement was signed last week just one day after the conclusion of a three-day visit and talks in Athens by Palestinian Liberation Organisation (PLO) leader Yasser Arafat which led to the upgrading of the PLO information office here to diplomatic status.

The agreement was signed at the end of a four-day visit by an Iraqi ministerial trade mission led by Dr Taha Ibrahim Al-Abdullah, the Iraqi Minister of Planning, who had talks with Greek officials.

An announcement said the agreement also covered additional exports to Iraq of Greek cotton, tobacco and oranges, and increased participation by Greek construction companies in public works projects in Iraq.

It said a Greek delegation would visit Baghdad in March, 1982, to continue talks on a joint venture aluminium plant in Greece to use Greek bauxite with power supplied by Iraqi oil at low cost.

In the transport sector, it was agreed that additional routes would be created for the transport and transit of trade between the two countries.

The agreement also covered co-operation in tourism, telecommunications and culture.

No details were made available on the likely values of Greek exports or of work to be carried out in Greece on Iraqi ships and aircraft.

● The Greek-flag merchant fleet totalled 3,920 ships aggregating 42.7m gross tons at the end of October this year, the Ministry of Merchant Marine reports. This compares with 3,944 vessels totalling 40.7m gross tons on the same date last year. The Ministry said 60.7 per cent of the fleet consisted of dry cargo vessels and 37.4 per cent of tankers. Another 1.7 per cent were passenger vessels and 0.2 per cent shipping vessels and tugboats. Another 457 Greek-owned ships totalling 8.04m gross tons whose crews were insured with the Greek Seamen's Fund were under various other flags at the end of October, 1981.

SHIPPING REPORT

Tanker market shows little improvement

BY ANDREW FISHER, SHIPPING CORRESPONDENT

WORLD SHIPPING markets, having been generally sunk in gloom during the last few months, showed little inclination to celebrate the festive season with encouraging signs of an upturn.

In the beleagured tanker market, where scrapping and laying up have become shipowners' last resort against depressed rates, no major improvement appeared to be in sight last week.

H. P. Drewry (Shipping Consultants) said that unless there was a substantial increase in lay-up, the outlook for VLSSs (very large crude carriers) and ULCCs (ultra large) did not look hopeful.

Small ships, however, should consolidate the minor gains made in November, particularly if present severe winter weather in the U.S. and Europe continued.

Illustrating the sorry position of tanker owners, Drewry produced figures in its latest monthly review showing that tanker tonnage laid-up or inactive for at least two months rose by 5.7m dw tons to 47.9m dw tons at end-November.

As for the dry cargo scene, Drewry's views were no less sombre. "The outlook remains gloomy with little hope of an upturn in the immediate future."

It also reported that a further 22 bulk carriers totalling 0.8m dwt were delivered last month, with the bulk carrier fleet now at nearly 151m dwt.

Warnings of over-capacity in this sector of the market have been rife for some time. Denholm Coates said last week that current market conditions were prompting a number of owners to consider laying vessels up.

Charterers were still intent on depressing freight levels and suggesting only $8.50 a ton on the U.S. Gulf/Europe grain run for large bulkers. But the level for cargoes of 50,000-55,000 tons has held at around $10.50 on minimal business.

World Economic Indicators

FOREIGN EXCHANGE RESERVES
(U.S.$m)

	Oct. '81	Sept. '81	Aug. '81	Oct. '80
UK	12,799	12,919	13,549	19,555
U.S.	10,411	10,050	10,031	7,194
W. Germany	39,898	43,075	41,932	41,720
Japan	24,775	24,342	24,093	21,007
Netherlands	7,581	7,192	6,919	10,068
Italy	17,291	17,489	17,197	20,643
Belgium	3,932	3,990	4,187	6,496
France	19,464	19,649	21,317	26,575

Source: IMF

Fokker Australian sale

Two Australian airlines have placed orders for a total of five Fokker F-28 Fellowship aircraft to be delivered over a period of three years beginning in the middle of 1982, AP-DJ reports from Amsterdam. East-West Airlines has ordered one F-28 and Ansett has ordered four. This brings Fokkers' order book to a total of 190 F-28s sold to 46 operators in 31 countries.

British tile maker in £8m Saudi deal

By Our World Trade Staff

THE A. QUILIGOTTI company of Stockport has signed an £8m joint venture deal with the Arabian Technical Contracting Company under which Quiligotti will manufacture and market a complete range of terrazzo tiles and cement based products in Saudi Arabia.

Quiligotti, which pioneered the terrazzo tile in the UK 60 years ago, will be responsible for the production, operation and marketing of the product range. Other elements of the deal will be provision of kerbstones, paving slabs and building blocks.

The company will provide 15 UK staff to oversee the project. They will be seconded on yearly contracts.

● DJB Engineering of Peterlee have won a $2.5m export from Angola to supply 13 D-305B articulated dump trucks to Angola for use on diamond mining operations.

● A £2.76m loan, which Lloyds Bank has made available to the Guyana National Co-operative Bank, will help finance a contract between the Guyana Electrical Corporation and GEC Turbine Generators of the UK for the refurbishment of a Guyana power station.

JAPAN'S EXPORT SUCCESS

Big market seen for 'capsule' hotels

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN'S largest maker of "capsule hotels" — hotels in which the guests are accommodated in reinforced fibre "capsules" about the size of a railway sleeping comportment —is preparing to start exports to the U.S. and Europe.

An official for Kotobuki, the furniture maker which came up with the capsule hotel idea four years ago, says that the company has been approached by a U.S. "business development" company with proposals for know-how sales or direct exports. Kotobuki also received a letter of inquiry from the U.S. navy. Its only contact in Europe so far has taken the form of an invitation to exhibit at a Hotel and Restaurant Fair in Ostend.

The European youth market (like that of the U.S.), however, is considered to be ripe for a capsule hotel boom, which could eventually overshadow that of Japan.

Japanese capsule hotels at present have a total of around 3,000 beds and claim a 99 per cent occupancy ratio (largely because the price of a night in a capsule is one-third that of the most modest conventional hotel). Japanese capsule hotel patrons are mainly businessmen, including those who have "missed the last bus home" after drinking sessions in Tokyo or Osaka and cannot afford the price of a taxi.

In the West Kotobuki believes that capsules will become a third tier, in addition to the existing two-tier hotel market with demand coming mainly from young people interested in cut-price travel. Capsule hotels are the equivalent in accommodation of the Macdonald's Hamburger stand, explains Kotobuki, and should flourish in America.

Apart from the youth market Kotobuki sees a future for capsules in American prisons, where the rising crime rate is making it increasingly difficult to accommodate prisoners in separate cells. The space and money-saving alternative would be public "day rooms" for prisoners with capsules for use at night. Capsules can be locked from the inside and are, therefore, useful in situations where dormitory type accommodation is ruled out by the danger of prisoners assaulting one another—a consideration which is said to apply in the U.S. navy. Construction companies and oil companies are understood to be interested.

A hotel capsule is, basically, nothing more than a moulded compartment made of fire-resistant reinforced fibre plastic large enough to accommodate one person in a lying position. Capsule know-how, according to Kotobuki lies in the composition of the fibre, which was developed by Kotobuki in the mid-1970s in association with a resin manufacturer. The price of one capsule, minus accessories, is currently around Y300,000 (£717), but about double that after the colour TV, radio, alarm clock and fire sprinkler that are regarded as basic have been added to the bill.

Kotobuki now is manufacturing about 500 capsules per year but has a long backlog of orders —the meeting of which has been delayed by the fact that Japan has yet to develop a unified fire safety code for capsules. The company says it will probably start servicing overseas markets with direct exports but switch to licensing in the longer run.

Tokyo group wins $1bn refinery order from Kuwait

TOKYO—JGC Corporation has won an order worth about $1bn from the Kuwait National Petroleum Company to build an oil refinery at Mina Al-Ahamadi along the mid-East Gulf by 1985.

The contract, on a cost-plus fee basis, includes a feasibility study to determine the capacity of the new refinery and to modify the present refinery there, it said.

Last year JGC won an order to enlarge the existing refinery to handle 270,000 barrels of crude oil per day by 1984 on a cost-plus fee contract, estimated about $6m but KNPC now plans also to modify the refinery.

The new refinery will specialise in production of gasoline, paraffin oil and low sulphur heavy oil, it added.

● Japan and China last week put the finishing touches on Japan's financial assistance of Y300bn (£717m) to enable continued construction of two industrial plants in China.

The financial assistance will be used by China to complete first-phase construction of the Daqing petrochemical complex and the Baoshan steelworks. Work on the two projects had been suspended by China due to shortage of funds.

The Y300bn long-term low-interest aid comprises Y130bn in commodity credits, Y100bn in supplier's credits and Y70bn in syndicated loans from Japanese commercial banks.

Japan also offered to extend a Y60bn credit to China for fiscal 1981 and China has accepted the proposal.

Agencies

All parties now set for trilateral trade talks

By Our World Trade Staff

Trade talks between Japan, the U.S. and the EEC are now scheduled to take place in Miami, Florida, January 15-16, the Japanese Ministry of International Trade and Industry said at the weekend.

The date for the talks, which have already been subject to delay, was confirmed in Brussels by EEC officials.

No agenda has yet been decided for the senior level talks, but Miti officials said the meeting would discuss ways of increasing world trade and countering protectionist pressures both against Japanese exports to the West and imports of Western goods into Japan. Mr Shintaro Abe, the new Miti minister, will attend the talks.

Mr William Brock, the U.S. Special Trade Representative, and Herr Wilhelm Haferkamp, the EEC commissioner for external relations, are also to head their delegations, Miti said.

The U.S. and the EEC have sought action from Japan to reduce its mounting trade surplus, expected to reach more than $30bn in the current financial year.

UK NEWS

'Buy British' campaign to be launched by CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MAJOR COMPANIES are to be urged next year by the Confederation of British Industry to buy as many of their goods as possible from British manufacturers.

They will be told that a "think British" approach to purchasing could have a major impact on the UK economy, harnessing purchasing power in the public and private sectors totalling some £50bn a year.

The aim will not be to persuade companies to "buy British at any price." Instead they will be told they should find British-based suppliers and encourage them to improve their products so that they become internationally competitive in price, quality, delivery and service.

This links with a public purchasing policy launched two years ago by Sir Keith Joseph, then Industry Secretary. The policy has been christened "creative purchasing" by Mr Kenneth Baker, the minister of state in charge, and has been backed by the Treasury which has relaxed its "value for money" guidelines for purchasing by public sector departments and agencies.

These initiatives have been developed partly to counter the effects of the recession and partly as a reaction against other countries such as France which successfully repel exporters in many fields.

But the European Commission is investigating the domestic purchasing policies of both France and Italy, so the British Government and the CBI stress that what they are advocating is within EEC and General Agreement on Tariffs and Trade international trading rules.

The CBI's initiative was agreed by its monthly council meeting last Wednesday. It heard about work started early last year by Sir Derek Ezra, chairman of the National Coal Board, to encourage large concerns in the private sector to follow the lead already set by nationalised industries which purchase more than 95 per cent of their goods in Britain.

The CBI is to organise a conference in the spring at which the efforts of individual companies will be publicised. BL, Debenhams and Thomson British Holdings are among businesses which have already tried to persuade their company buyers and customers to "think British."

Sir Ray Pennock, CBI president, sent a letter to trade associations in September asking them to urge companies to follow this lead.

Sir Derek Ezra told the CBI council that a "dynamic relationship" was needed between purchasers and suppliers. He said that last year the aggregate purchasing power of large businesses was estimated to total £50bn, about a quarter of the gross national product.

BP looks at floating production vessel

By Martin Dickson, Energy Correspondent

BRITISH PETROLEUM has moved a step nearer the development of a new system of offshore oil production.

BP is expected to announce shortly that it has commissioned a UK company to carry out detailed design work for a mobile, floating unit known as a single well offshore production system (Swops).

The vessel would be used to extract oil from small, marginal fields which do not merit their own fixed platforms.

The Swops vessel would position itself above a single well drilled into the field and take up oil via a riser, or proboses-like tube, lowered to the seabed. The oil would be put through processing units and into storage tanks onboard the vessel.

When the tanks were full it would sail to port, unload its cargo, and then return to the field for a fresh production run.

BP, which carried out feasibility studies on the system last year, originally hoped to use a converted tanker for the job. But it has now decided to go for a purpose-built vessel.

Certificate sales boost savings

By Eric Short

A STRONG demand for both index-linked and non-index-linked certificates in November meant that National Savings had their best month since May.

Net receipts for the month were £366.4m, more than £100m up on the previous month, with the certificates accounting for £311.9m of the total.

The 23rd issue of certificates, launched on November 9, which offers the highest ever yield, 10.51 net of all taxes, on a non-index-linked certificate, sold over £40m in the first week. The momentum was maintained over the rest of the month with total sales of £137.6m. Demand for index-linked certificates remained strong, at £174.3m.

Jack Gill likely for job in Trident casinos

BY DUNCAN CAMPBELL-SMITH

Trident Television appeared yesterday to have offered a senior management position to Mr Jack Gill, the former managing director of Associated Communications Corporation, dismissed by Lord Grade in August.

Mr Gill has been acting as consultant to Trident for the last six weeks, helping the company to negotiate its purchase of Playboy Enterpirses' UK organisation which was announced on Thursday.

He is believed to have been offered the post of executive managing director to run the group of three London casinos which account for most of Playboy's worldwide profits. Completion of the sale is scheduled for early January.

The casino operations are headed by Sir John Treacher, brought in by Playboy last July in an unsuccessful attempt by the Chicago-based company to deflect Gaming Board objections to the renewal of its gaming licences.

Sir John, who earns £143,000 a year as a "base salary," had no comment to make on his future after the announcement that Playboy had signed its deal.

Mr Ward Thomas, Trident's chairman, has indicated his intention to become executive chairman of the company's casino interests, still threatened with closure by the courts.

Slow build up of world coal markets

By Martin Dickson

THE RECESSION of the past year has meant a slow start to the long-predicted revival of world coal consumption, and the effects have been particularly pronounced in the UK, said a report from stockbrokers James Capel.

The study, by Mr Mike Robson, of Sussex University's Science Policy Research Unit, said that, while coal's growth potential remained enormous, this could be realised only over a long period of time as existing oil and gas-fired plant is scrapped.

"The slow build up of coal markets can be expected to continue in 1982 but, like the year just past, it is unlikely to see the start of a coal boom.

"The least noticeable consequence of the recession, but potentially the most threatening, is the decline in basic process industries in the Western economies, partly linked to the growth of these industries in developing countries. This trend could eliminate some of the markets in which coal is most competitive," said the report.

MSL to find coal chairman

By Maurice Samuelson

THE head-hunting organisation which has been asked to find a new chairman of the National Coal Board is MSL, a leading British-based management recruitment consultancy.

MSL said yesterday that it was too early to discuss whether the post would be advertised in the press. "Things have not yet reached that stage," Mr Garry Long, managing director, said.

Martin Dickson looks at the controversy surrounding Nigel Lawson's privatisation measures

Battle looming over Gas Bill

A FURIOUS parliamentary battle — involving fundamental issues of energy policy, ministerial accountability and the independence of nationalised industries — is promised in the New York over a Bill just published by Mr Nigel Lawson, the Energy Secretary.

The measure — the Oil and Gas (Enterprise) Bill — has been condemned already by the Labour Party as a "Parliamentary, financial and national disgrace." It will be fought "tooth and nail, clause by clause, line by line," Labour warned.

The legislation gives from to the Government's long-standing commitment to sell the state-owned British National Oil Corporation's exploration and production arm to the private sector and do the same for the British Gas Corporation's off-shore oil interests. These two moves could raise £1.5bn for the Treasury.

The Bill would also break the British Gas monopoly powers to buy gas from the North Sea and sell it in the UK.

"This is the biggest privatisation measure ever introduced by a British government," Mr Lawson said last week, without fear of contradiction. That fact alone is bound to enrage Labour. But its opposition to the Bill goes well beyond the never-ending argument over the correct boundaries of the public and private sectors.

Mr Merlyn Rees, Opposition Energy spokesman, complained last week that the Bill was a "flagrant denial of all the principles of parliamentary accountability and scrutiny" giving "extraordinary extra-parliamentary powers to the Secretary of State to do what he likes, how he likes, and when he likes."

The legislation would give the Energy Secretary particularly-wide powers of intervention in the affairs of British Gas. Relations between governments and nationalised industries are normally conducted at arm's-length. But in the case of British Gas—which is bitterly opposed to the legislation—the Energy Secretary seems to be substituting a close and far from friendly embrace.

First, the Bill would enable the Government to order the sale of any British Gas asset. Ministers intend to use this power initially to sell the corporation's holding in five North Sea oilfields, probably in 1983, although the timing and method of disposal have yet to be settled.

The Government might use the same powers to order a sale of British Gas High Street showrooms, although this plan, which has stirred up widespread union opposition, has been postponed. But the asset sales need not stop there, if Ministers so decided.

Second, opponents of the Bill are arguing that changes proposed to the 1972 Gas Act—tucked away at the back of the new Bill under the heading "minor and consequential amendments"—would give the Energy Secretary effective carte blanche to interfere in the corporation's affairs generally.

Thirdly, Mr Lawson is planning to take on himself the role of final arbiter in any dispute over private companies' access to British Gas' onshore pipelines—vital to breaking the corporation's supply monopoly.

The Bill creates three categories of gas consumer. At the top end comes the large consumer—anyone taking over 1m therms a year—also will be free to buy gas from the supplier of his choice. The Government says between a third and a half of industrial and commercial supplies fall into this category.

At the bottom end, British Gas will continue to be the only supplier to buyers of less than 25,000 therms a year—which includes most home gas supplies.

Between these two extremes, consumers would be able to buy gas from either the corporation or private suppliers with ministerial consent.

To make the competition real, the Bill gives private suppliers access to British Gas' onshore pipeline network. The private suppliers would negotiate a fee with the corporation for carrying their gas. In a disagreement, the private supplier could appeal directly to the Energy Minister, who would have powers to set the terms and to order British Gas to increase the capacity of its pipelines.

The way the Government explains it, the move sounds simple. But the practical ramifications would be immensely complicated and there must be strong doubts whether more than a handful of private deals are likely to be ever agreed.

Nevertheless, the effect of all these changes, say the Bill's opponents, will be a fundamental alteration in the relationship between British Gas and the Government, opening the way for greater minister al meddling and setting a precedent which could be used with other nationalised industries.

This issue apart, the Bill raises a host of basic energy questions, most notably the effect of private competition on the price of gas to the consumer.

British Gas insists prices are bound to go up with more than one buyer from the North Sea. Mr Lawsan dismissively replies: "If the effect of competition is to raise prices then I'm the Deputy eLader of the Labour Party."

£500m pension scheme warning

BY ERIC SHORT

EMPLOYEES and employers who have opted-out of the earnings-related part of the State pension scheme could be paying an extra £500m a year in higher National Insurance contributions from April 1983, if the Government decides to cut the contribution rebate.

This warning has been given by the Confederation of British Industry to the Government for consideration during its review of the contracting-out terms from the State scheme.

When the new State pension scheme started in April 1978, companies were given the option of contracting-out of the earnings related part and providing this pension through the company scheme.

In return they were given a reduction of 7 per cent in National Insurance contributions—2½ per cent for employees and 4½ per cent for employers—to represent the average cost of providing that pension.

The terms are reviewed every five years in September. Mr Edward Johnston, the Government Actuary, said he considered the present terms too generous in that assumptions made regarding investment returns and other factors were too pessimistic. He indicated that the Government could justify more relaxed terms leading to lower contribution reductions.

The reduction in contributions is due to fall anyway in 1983 because, as the years pass, companies have longer to accumulate the State equivalent pension. Under present terms, it should fall to 6½ per cent. But the Government Actuary has indicated that 6 per cent would be a more realistic figure.

"The CBI attacks the Government Actuary's views on two grounds. First, it considers there is a need to maintain stability in the scheme with minimum changes. Second, it considers the present terms are equitable. It urges the Government to stick to them and restrict the reduction to 6½ per cent.

The Government Actuary's review has already been strongly attacked by the National Association of Pension Funds and sections of the pension industry. But he receives full support from the TUC.

In its evidence, the TUC endorses the Government Actuary's approach and supports his conclusions. The aim, the TUC says, should be to remove any bias either to the State scheme or to contracted-out occupational schemes. It is concerned that those employees in the State scheme are at present subsidising those contracted-out.

Mr Norman Fowler, Social Services Secretary, is due to make his decision in February. The necessary legislation has to be enacted by April, 1982, to give employers the statutory one year's minimum notice of changes.

High alloy casting cuts to go ahead

By Alan Pike

PLANS FOR a self-financed contraction of part of the steel castings industry are ready to go ahead in spite of a setback in the general castings sector.

The future of the general castings scheme, put together by Lazard Brothers, the merchant bank, is in doubt following a decision last week by F. H. Lloyd Holdings, the biggest private group in the sector, not to take part. But Lazard is ready to go ahead with a scheme which would involve a reduction of 22 per cent of capacity and the loss of about 800 jobs in the high alloy castings sector.

Union leaders were told the likely level of redundancies last week and are to raise the issue in the TUC steel committee. Employment in steel castings has already declined by 31 per cent over the past six years.

The basis of the Lazard scheme is that companies which agree to close capacity will be compensated from a levy paid by those remaining in business.

Mr Patrick Jenkin, Industry Secretary, who last week announced aid of up to £22m to the private sector steel industry, said that a further £3m to £4m

More UK news on Page 18

could be available to assist the steel castings rationalisation. The key question to which high alloy manufacturers are awaiting an answer is how much of this money will be forthcoming if the scheme goes ahead only in their sector.

The high alloy castings sector has a capacity of about 76,700 tonnes compared with 135,000 tonnes in the general sector. But the provision of Government funds need not be in the same proportion because of the higher value of products in relation to weight in high alloy.

The decision by F. H. Lloyd to stay out of the general castings scheme is a serious and possibly fatal blow to the rationalisation there. Lazards will, after allowing a little time for the dust of last week's decision to settle, write to other general castings manufacturers asking where they now stand.

Neddy bid to help lift output

BY ALAN PIKE

THE NATIONAL Economic Development Council is to prepare a series of information packages to help industry appreciate the potential for improving productivity.

An investigation of work on productive efficiency undertaken by the NEDC's sector working parties, published today, concludes that the problems and remedies are similar in all industries.

Mr Geoffrey Chandler, director general of the National Economic Development Office, says in the report that the packages will cover typical problems tackled in improving productivity, methods used and benefits gained.

The information in the packages will be provided to sector committees for use in publicity campaigns. It could be used also by trade associations, unions, and professional institutions.

The report repeats the conclusion of NEDO work earlier this year that, while output per head has improved recently, "there is not yet evidence of an improvement in the underlying long-term trend of productivity, as was true in earlier recessions."

Overseas visits by sector working parties—and studies of the best British companies—showed that good productivity often went hand in hand with a company having clarity of objectives and the ability to take longer-term decisions on issues like product development, investment, training and finance.

Engineering export orders recover

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

NEW EXPORT orders for engineering products have been moving up from low levels in the three months to September.

Official figures published in British Business, the magazine of the Departments of Trade and Industry, show a higher level of export orders. Domestic orders continue weak.

The estimated trend indices for export orders show an increase of 18 per cent for the period between June and September.

New home orders for the same three months fell 6.5 per cent in the previous quarter, giving an overall increase of 2 per cent.

Orders on hand for the engineering industries — electrical, mechanical and instrument — have been severely depressed owing to the low level of demand from the home market.

● Orders for machine tools between June and September showed a marked improvement, increasing 15.5 per cent over the previous quarter, from the desperately low levels of the past 18 months.

For the first time in many months, home new orders made a significant contribution — up 24 per cent — to the overall improvement.

Interest rates may drop soon, say money brokers

BY OUR BANKING CORRESPONDENT

BANK BASE rates could fall by one and a half percentage points to 13 per cent over the next few months and interbank rates could fall by over three percentage points to 12 per cent, it is forecast today.

However, this prediction of lower UK interest rates by the Butler Till money broking group could be jeopardised by the severe liquidity squeeze in the money markets which is expected next month, as funds flow into the Exchequer.

In recent weeks, the authorities have spent close to £11bn intervening in the money markets and Professor David Llewellyn, Butler Till's consultant economist, believes they will have to continue intervening massively if UK interest rates are to be allowed to fall further.

"The Bank will need to demonstrate great ingenuity in the months ahead in relieving this shortage and it is unlikely to be done without substantial direct assistance to the discount houses," said Professor Llewellyn, who also lectures at Loughborough University.

Under the new system of monetary control, the authorities intervene in the money markets by operations in the bill market. However, the scale of recent intervention plus the expected shortages in January could lead to a shortage of bills and the Bank might have to take the unusual step (under the present regime) of lending direct to the discount houses.

Assuming that the short-term technical problems can be overcome, Professor Llewellyn believes interest rates will ease slightly under the influence of further falls in U.S. interest rates. These are significantly lower than those in the UK, when there is scope for some reduction.

KREDIETBANK

S.A. LUXEMBOURGEOISE

43, BOULEVARD ROYAL, LUXEMBOURG

It is with profound sorrow that we inform you of the death of our Executive Director and great friend

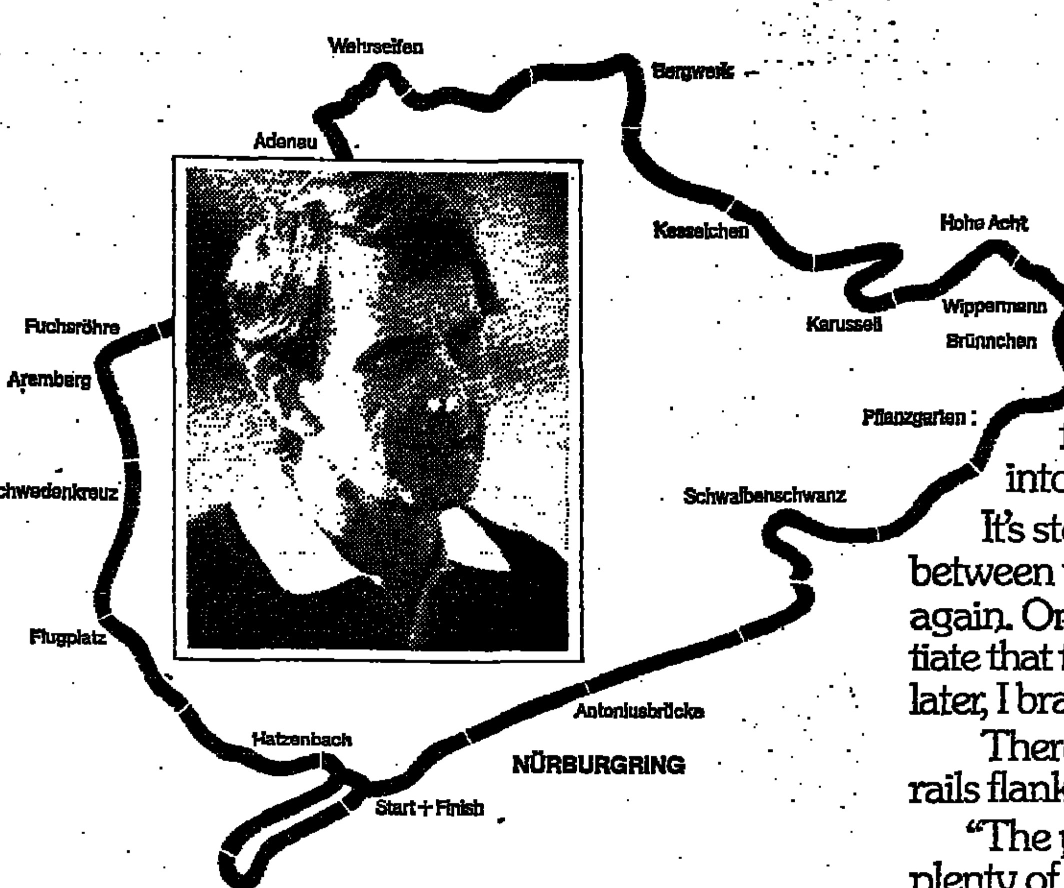
ANDRE M. COUSSEMENT

in a fatal car accident which occurred on December 14th, 1981.

The grievous news of his death has profoundly affected not only his colleagues within the bank but also the whole international banking community, which held him in the highest esteem.

His understanding of human problems was combined with a great sense of fairness in his business life. We shall always hold him in grateful remembrance as a man whose professional abilities and human qualities were appreciated by all.

The Board of Directors
The Executive Committee
The Management and the Staff



14·2 miles and 73 corners with John Watson in the new Granada Injection.

At the bottom of the hill we are doing 120 mph and the springs are fully compressed as the big Granada catapults up the other side. There's a tight little S bend at the top with a blind entry and John, who hasn't driven at the Nürburgring for some time, has forgotten just how sharp it is. We are going just a bit too fast.

Simultaneously he changes down, brakes hard and flicks the car sideways to scrub off speed. For a second we teeter on the limit of the wide tyres' adhesion, then, miraculously, the tail snaps back into line and we nip through the bends as agile as an XR3.

"Enjoying yourself?" grins John.

Well who wouldn't be?

Here I am sitting beside one of the world's greatest drivers, whipping round one of the world's most challenging race tracks in one of Ford's best cars, the new Granada Injection.

The Injection is the latest in a long line of Ford high performance cars, a machine with racing in its blood.

John seemed to like it immediately.

He spent a couple of minutes playing with the tilting/sliding sunroof, checking out the stereo (he's a Pink Floyd fan) and learning his way round the instruments. "That overhead console is a neat place for the warning lights."

Then it was down to business. Adjust the seat, line up the remote controlled mirrors and move out onto the track.

The first corner looms almost immediately. John takes it gently, feeling his way with the unfamiliar car. Then, along the back straight behind the pits, the 150 bhp V6 opens up and we reach 100 mph for the first time, before swinging left over a brow and down into Hatzenbach.

"The circuit proper begins here," says John.

The track drops away through a series of zig-zags cut through the forest and John sweeps cleanly through them between 60 and 80 mph.

"Are you feeling sick yet?"

Much to my relief my stomach was behaving perfectly, perhaps because the Granada's front seats are Recaros which hold you beautifully snugly, and the suspension is so taut.

We rush down to Flugplatz, where a racing car will take off, pass the four kilometer board and swing right-handed onto one of the quickest parts of the circuit. The speedo reads 125 mph and the track reels in towards us like a film that's been speeded up.

"Beautifully quiet, isn't it," says John, as relaxed as if he was sitting at home watching TV.

Then it's hard on the brakes for Aremberg corner and down into the Foxhole.

It's steep and gloomy racing down between the trees, and very fast – 120 mph again. On the way up the other side we negotiate that treacherous S bend, then, a kilometer later, I brace myself for the descent to Adenau.

There's no room for error here. The guard rails flank the circuit without a yard to spare.

"The power steering feels really nice – plenty of feedback – I'm beginning to enjoy this car." My chauffeur keeps up his running commentary. "The brakes are really excellent and it's very well damped."

How can anyone chat so casually while maintaining such a pace? Well, perhaps for John it isn't such a pace after all.

Ten kilometers gone now. We cross Adenau bridge and climb steeply to the right.

Amazingly we're still only half way round.

Climbing hard now, John holds third gear up to 6300 rpm. That's over 90 mph. The engine note is deep and powerful. It's enjoying its little outing.

In a moment we arrive at the most photographed corner on the 'Ring, the Karussell. You don't see it till you're virtually on top of it.

"You have to aim for that pine tree on the horizon," says John as we dive into the steeply banked turn.

The track swoops on through Wippermann and Brünnchen, the line through each successive corner dictated by the one that follows.

John hardly seems to touch the steering or the brakes. Our progress is so smooth, so fluent, that you're scarcely aware how rapidly you are travelling. The Granada may not be a racing car, but it's certainly quick enough to demonstrate that really fast driving is an art.

"It handles unbelievably well for a road car," he says, "You can balance it on the throttle. It's very well balanced."

On we rush to Pflanzgarten, another famous leap. Taking the brow at over a hundred miles an hour is like stepping off the edge of the world.

"You have to keep well to the left there. If you don't it's an accident for sure."

Kilometer 18 flashes past, we drift through Schwalbenschwanz, the little Karussell, then comes a long sweep right, and for the first time in a lap, the driver can relax. Ahead is a two kilometer straight.

Our speed builds up to 120 mph or more, the engine singing lustily, and Nürburg's famous castle looms on our right. It's amazing how slow it feels when you're travelling in a straight line at last.

A chicane provides a final sting in the tail, then we're slowing for the pits.

"I enjoyed that," says my chauffeur. "It's a much quicker car than I expected."

"Could you have gone much faster?" I asked him.

"If you weren't with me, if I was wearing a crash helmet and if I was really getting after it....."

As we walked away I looked back at the steely green Granada with new respect.

I've a feeling that if you were to drive one yourself, you would too.

Perhaps the Nürburgring's most famous corner. The new Granada Injection rounds the Karussell.

Ford gives you more.

2.8 litre, fuel injected V6 engine. 150 bhp at 5700 revs. Max speed 117 mph† 0-60 9.2 seconds†. All independent suspension with coil springs all round and increased diameter gas filled shock absorbers. Power assisted rack and pinion steering. Ventilated front disc brakes. Michelin TRX low profile tyres. Driving lights. Aerodynamic spoilers. Recaro seats. Sunroof. Performance figures quoted in text were speedometer readings and, due to gradients, wind conditions, etc., differ from Autocar test quoted. †Autocar test.

FORD GRANADA 2·8 INJECTION

UK NEWS

Letdown for lift-truck manufacturers

Hazel Duffy looks at BL's sale of Coventry Climax as depression still overshadows trading outlook

INTEREST-FREE credit, highly attractive trade-in deals, and discounts knocking up to 25 per cent off the list price, have all been offered by lift-truck manufacturers over the past year in an effort to shift their large stocks and keep their factories in operation.

However, these measures have not been sufficient to prevent the UK market falling to an estimated 9,000 sales this year against 17,500 in 1979.

Against this background, Coventry Climax — which was sold last week by its parent company, BL, to a consortium of investors led by Sir Emmanuel Kaye — has been making substantial losses in 1980 and this year.

BL's sale of Coventry Climax follows those of Aveling Marshall, Prestcold, Alvis, and Leyland's tractor interests over the past year or so as a result of BL's decision to concentrate its limited resources on keeping afloat its car and truck production.

Lift-trucks enjoyed buoyant markets during the early 1970s, and several companies flourished. In the mid-1970s, moves to consolidate Britain's position as a leading manufacturer of lift trucks got under way with members of the industry's sector working party, set up like other sector working parties under the aegis of the National Economic Development Office providing the momentum.

This resulted in Lansing Bagnall, the Basingstoke-based company owned by Sir Emmanuel's company, taking over Henley, and Coventry Climax absorbing Conveyancer.

Both Henley and Conveyancer took some time to be fitted smoothly into the structure of their respective new parents. But by 1979 (by which time Lansing had also acquired Bonser Engineering, another materials handling manufacturer), the British-owned equipment producers appeared to be in reasonably good shape.

Then followed the recession in the domestic market and the strong pound, which had a devastating effect on the lift-truck makers. At once it hit export margins and made the British market increasingly vulnerable to imports.

Coventry Climax, which had acquired a large new factory at Warrington with its purchase of Conveyancer, moved into losses. The BL Special Products group, of which it was part, was broken up, and the "for sale" notice went up at Coventry Climax—at least by implication.

Mr George Simpson was installed as managing director by BL in October 1980 to produce plans for stemming the losses. He was previously finance director of one of the Leyland Vehicles divisions.

The workforce has been cut at Coventry, where Climax has three plants, and the Warrington site is to be closed in the spring. Transfer of work from Warrington will mean some increase in the Coventry workforce, but management and staff will be cut to accord with the needs of a smaller operation.

"By the end of next year, we shall have a neater, tighter ship," says Mr Simpson. But he does not forecast a return to profit until the end of 1983.

Sir Emmanuel has also called in as a "consultant" to Climax Mr Steven Gray, who is credited with turning round Henley in the mid-1970s. Mr Gray, who presently runs a company in Geneva called Liftec marketing primarily Lansing trucks in Eastern Europe, believes Climax to be "a suitable case for treatment." He says: "It has a first-class product but it has been a backwater for BL for too long."

Climax's recovery, however, must depend to a large extent on the health of the UK market. Although it exports around 30 per cent of production, Climax does not have the muscle to build up a niche in any particular overseas markets.

Some people in the industry will continue to hold the view that the only way for Britain to maintain a healthy British-owned lift-truck industry will be the creation of a single manufacturer which is sufficiently large to beat off imports now running at about 40 per cent of UK sales from the Continent, mostly West Germany, and Japan. Britain must again become more dominant in leading export markets, they say.

The Coventry Climax has already atracted criticism from a close competitor, LancerBoss, like Lansing Bagnall privately-owned and similar in size to Coventry Climax. LancerBoss, which claims to be one of only three European manufacturers of lift-trucks operating profitably, said on Friday it was planning to ask the office of Fair Trading to look at the sale. LancerBoss was itself interested in Climax but is now looking at possible tie-ups with other European companies. Although the market-place ruled out a direct merger between Lansing and Climax, there must be more than a possibility that this will emerge in a couple of years

Kaye springs surprise on Japanese

SIR Emmanuel Kaye, 67-year-old chairman of the Kaye Organisation which owns Britain's largest lift truck manufacturers, Lansing Bagnall, sprung a surprise last week when he bought Coventry Climax through a consortium in which he is the majority shareholder.

From January he will own two companies in direct competition. He has said they will continue to operate as independent companies with no share directors.

Sir Emmanuel took over Lansing Bagnall and built it up in the early postwar days when the ground for his entrepreneurial style of operation was more fertile than it is today. In 1973 he changed the name from the Lansing Bagnall group to the Kaye Organisation.

In 1980 the group turnover was £152m and net profit £7.5m. Sir Emmanuel keeps control of the private group and exercises an active interest in the management of subsidiaries.

He bought Coventry Climax because he sees it as an essential component of the British-owned lift truck industry, which has been considerably weakened over the past couple of years by largely external factors. He knew BL was increasingly anxious to get rid of Climax, and was particularly worried by the fact that Climax appeared to be close to cementing a tie-up with NYK, a Japanese lift truck maker in which Mitsubishi has a large stake.

If Climax had opened the door to the Japanese eventually manufacturing in the UK, the consequences for the British-owned industry could have been far-reaching.

Sir Emmanuel can be expected to ensure Climax is run on more strictly private enterprise lines than has been the case under BL, although it is debatable whether it will make sense for Lansing and Climax to operate independently in the longer term.

Sir Emmanuel is a champion of free enterprise, plays an active part in Confederation of British Industry activities, and is not averse to telling the Government what it needs to do to make life easier for industry. When the pound was particularly strong he invited Mrs Thatcher to Lansing's Basingstoke offices where she was shown charts of effects the exchange rate had on the competitiveness of British exporters.

Sir Emmanuel Kaye—champion of free enterprise.

Grocery prices increase less than expected

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

GROCERY prices in December rose for the fourth month in succession, according to the latest Financial Times Grocery Prices Index published today.

However, the increase is not as much as had been expected given the severe wintry weather in many parts of the country which has affected supplies of some fresh produce.

The December index stood at 141.24, compared with 140.51 in November.

The increase was mainly due to slight increases in all sections of the FT shopping basket, although meat and dairy produce were particularly expensive this month. Eggs, for example, have risen sharply in price. Fresh fruit and vegetables, however, have been less expensive than usual in the weeks before Christmas. Prices are likely to climb this week as demand increases for the Christmas holiday period when many food shops will be shut for three or four days.

The FT Grocery Prices Index is based on data collected each month by 25 shoppers who monitor a list of more than 100 grocery items in the same shops throughout the UK. The stores chosen range from superstores to village grocers.

The index is meant only as a guide to price trends and is not an absolute indicator of price levels.

Reports from retailers suggest that supplies of some fresh produce may be badly hit by the winter weather. Supplies of sprouts are reported down by a quarter while cauliflowers are becoming increasingly difficult to obtain.

A recent road transport bottleneck in the French Channel ports has held up supplies of Spain's satsumas, clementines and navel oranges, although these fruits should still be widely available this week.

Most greengrocers are expected to be open on Christmas Eve and will reopen on the Tuesday after Christmas. Shops and wholesale markets will close on New Year's Day and open again on Monday January 4, except in Scotland where they reopen on the 5th.

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FINANCIAL TIMES SHOPPING BASKET
DECEMBER, 1981

	December £	November £
Dairy produce	706.81	700.94
Sugar, tea, coffee and soft drinks	209.31	210.15
Bread, flour and cereals	316.57	314.26
Preserves and dry groceries	113.48	112.79
Sauces and pickles	55.21	54.91
Canned foods	198.57	197.87
Frozen foods	248.65	247.72
Meat, bacon, etc. (fresh)	622.16	613.88
Fruit and vegetables	287.33	290.60
Non-foods	244.58	244.26
Total	3,002.87	2,987.38

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.04; August 128.41; September 127.41; October 126.84; November 127.77; December 129.38
1981: January 130.96; February 131.75; March 132.75; April 134.93; May 136.30; June 137.37; July 136.62; August 135.50; September 136.60; October 137.49; November 140.51; December 141.24.

Fewer losses among world fleet

BY ANDREW FISHER, SHIPPING CORRESPONDENT

FEWER SHIPS were lost around the world last year through collision, wrecks, burning or other causes, according to Lloyd's Register of Shipping. Highest casualties were among Japanese, Panamanian and Greek vessels.

The tonnage lost by the world fleet, however, was still the second highest recorded at 387 ships of 1.8m tons gross after the 1979 peak of 465 totalling 2.2m tons.

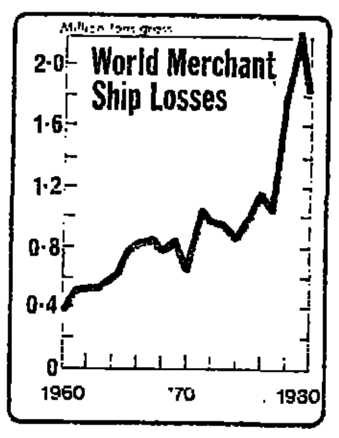
The biggest ship lost in 1980 was the Spanish tanker, the 122,500-ton Maria Alejandra, which was burnt. The most tonnage was lost by Liberia, the flag of convenience fleet, at 516,530 tons.

In its final casualty returns for last year, Lloyd's Register said tonnage lost through collision decreased sharply from 507,660 tons gross to 67,660 tons.

The tonnage lost through stranding or striking rocks, sunken wrecks, or similar came down from 514,590 tons to 277,540. Burning claimed the largest tonnage, 647,120 tons aganist 752,500 in 1979.

Twelve fewer ships foundered last year—152 against 164 in 1979—but the tonnage lost this way went up from 336,900 tons to a record 504,930. More than 34 per cent of these ships were more than 20 years old.

The largest ship lost in this category was the Energy Concentration, a 98,890 tons gross Liberian tanker which broke in two in Rotterdam port its 110,000 tonnes of crude oil posing a major pollution threat which in the event was averted.



The oldest ship lost, the 147 tons Hernan Cortes, a Spanish cargo vessel built in 1855, was also in this category.

There was a large increase in the tonnage which went missing, from four ships totalling 17,730 tons gross to eight totalling 184,720 tons. One of these was the Derbyshire, a British ore/bulk/oil carrier of 91,650 tons last heard of in the Pacific Ocean.

Lloyd's said that 22 per cent of al ships lost were over 25 years old. Six per cent were less than five years old. Eight ships lost were over 50,000 tons gross.

The countries losing the largest proportion of their fleets—only those totalling over 7m tons are included in this calculation—were Spain (1.7 per cent), Greece (0.83 per cent), Liberia (0.64 per cent), Panama (0.59 per cent), and Italy (0.58 per cent).

Last year's total losses of 1.8m tons represented 0.43 per cent of the world fleet compared with 0.54 per cent the previous year.

Most imports still transported by sea

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITAIN IS still overwhelmingly dependent on sea trade for the majority of its imports and exports, according to figures published by the Government at the weekend.

Three-quarters of UK trade by value and 95 per cent by weight was carried by sea in 1980, according to the latest British Business magazine of the Departments of Trade and Industry. This dependence on sea transport, however, is falling with the steady growth of air freight.

A total of £38bn worth of goods was imported by sea into the UK in 1980, representing 74.4 per cent of all imports. By contrast, £9bn worth of goods came into the country by air, 18.2 per cent of the total and over two percentage points up on 1979 in terms of value.

However, exports by air fell in value terms in 1980, at the expense of seaborne trade which increased by £6bn on the year before to £37bn, 76 per cent of the total. Airborne exports by value as a proportion of the total value were down almost half a percentage point compared with 1979, at £8.8bn, or 18.1 per cent.

The increase in seaborne exports is largely attributed to higher exports of petroleum and petroleum products.

Imports from elesewhere in the EEC accounted for 41 per cent of all imports last year at £20.5bn, of which £17.7bn was accounted for by seaborne trade and some £2bn by air freight.

Britain exported slightly more of its total exports to the rest of the EEC in 1980 than it imported. They were worth £20.4bn, or 42.5 per cent of total exports, with £17bn going by sea, and £2.4bn by air.

Taskforce set up for chemical pollution

PANOCEAN-ANCO, the British chemical shipping company, will provide the Government with a special team to deal with threatened chemical pollution or explosions.

Under a three-year contract with the Department of Trade's Marine Pollution Control Unit (MCPU), the company will have a team of at least eight ready to travel to any UK port within six hours.

In July several hundred people had to be evacuated in the harbour area of Shoreham, Sussex, before firemen prevented an explosion aboard a Dutch ship carrying chemicals.

Mr Peter Smith, a director of Panocean-Anco, said chemical spillages had been few in UK waters. But dealing with such incidents could be complicated with as many as 40 different chemicals on one ship.

Panocean-Anco, whose shareholders include P & O and Ocean Transport, has a fleet of 11 ships and 600 to 700 people who are familiar with work in chemical tankers.

Monthly switch for benefit

Child benefits will be paid monthly from March 15, although existing recipients may choose to continue to be paid weekly.

The change, proposed in a "Rayner" study two years ago, is expected to save about £7m a year by 1987/88.

LABOUR

Aslef doubts on train manning stall BR productivity negotiations

BY JOHN LLOYD, LABOUR CORRESPONDENT

PRODUCTIVITY talks between British Rail and the train drivers' union Aslef will reach a critical stage this week.

The two sides have made little progress on at least one of the productivity "headings" proposed by BR earlier this year. The British Railways Board has agreed to pay 3 per cent, backdated to August, on top of an 8 per cent award, if agreement on all the headings can be achieved by January.

The National Union of Railwaymen, the other manual union, has given general agreement to all the issues under discussion, though specific agreement is still a little way off. Aslef, however, is doubtful about a key issue—single manning of passenger trains—and has refused to accept more flexible rostering.

Attempts will be made this week to get BR and Aslef round the table at the Advisory, Conciliation and Arbitration Service. Acas averted the rail strike threatened for September 1 by producing the backdated 3 per cent formula, which kept the two sides talking about productivity.

BR is keen to start talks tomorrow, but Aslef has not yet agreed, partly because it has talks scheduled with London Transport on fare revisions and partly because it sees little point in involving Acas.

A lot of ambiguity surrounds the 3 per cent formula. Aslef interpreted it to mean that the unions were committed to continue talks, and that on this basis the 3 per cent would be paid in January. BR said it meant the unions were committed to reaching agreement by January.

Aslef said last night that the 3 per cent would be paid, and that BR had "made no issue of it." The union is opposed, however, to rosters which will ask its memebrs to work longer than eight hours a day. BR said it would like the flexibility to schedule drivers to work, for example, a nine hours a day.

The union said it was willing to examine the principle of single manning on passenger trains, and had participated in trials. But it said much of the equipment required extensive modification before it could agre to continue.

Single manning is linked to the "trainman" concept, which would restructure the line of promotian in BR and open it to NUR members, breaching Aslef's exclusive craft status.

Murray in row over sick pay proposals

By Our Labour Correspondent

GOVERNMENT proposals to shift the responsibility for paying sickness benefit from the state to employers have met fierce opposition from trade unions and pressure groups, as well as employers.

In a letter to trade union general secretaries, Mr Len Murray, TUC general secretary, has urged unions, union-sponsored MPs and trades councils to step up opposition to the measures in the Social Security and Housing Benefits Bill. The Bill received its second reading last month.

The Bill's opponents aim to force the Government to drop proposals included on employers statutory sick pay (ESSP).

In a briefing note attached to the letter, the TUC said the legislation's main object was to "cut jobs in the Civil Service at all costs." It said workers with families and those on low incomes, would be singled out for discriminatory treatment.

The TUC said that if the proposed ESSP levels were introduced this year, weekly losses would range from £3.37 for a single wage earner to £22.23 for a married couple with two children, based on a comparison with November 1979 benefits, adjusted for inflation.

"The proposed standard level of ESSP is far below the level of similar schemes in other countries which pay 90 or 100 per cent of previous wages. The low level of ESSP will not even be kept in line with future increases in earnings and could fall even further behind other countries.

"National Insurance contributions are continuing to rise for workpeople but the benefits to which they are entitled in return from the NI scheme are getting less and less."

In a separate report, the Low Pay Unit said the main objections were:

- that the scheme was based on the mistaken assumption that virtually all employees are already in occupational sick pay schemes;
- it would discriminate against families and the low paid;
- it would reduce financial support to many people when they were at their most vulnerable.

"Moreover, because the proposals present an additional burden for already hard-pressed small companies, employees considered likely to have poor sickness records could be subjected to screening by potential employers.

Get Well Soon or Face Poverty, Low Pay Unit, 75p.

Fleet Street printworkers to vote on 5% wage offer

BY JOHN LLOYD, LABOUR CORRESPONDENT

PRINT UNIONS will ballot their Fleet Street members this week on the employers' 5 per cent wage offer. Only one union has recommended rejection.

Two major unions — the National Society of Operative Printers, Graphical and Media Personnel and the National Graphical Association—will tell their members that 5 per cent is the best the Newspaper Publishers Asssociation is likely to offer without industrial action.

However, the Society of Graphical and Allied Trades—the largest of the print unions, but the least powerful in Fleet Street—will tell its members in warehousing departments to turn down the offer.

The Sogat members' ballot papers will make it clear that if the offer is rejected, the union's executive will accept the vote as an indication of support for industrial actionu.

The NPA has made it clear that several national newspapers face their most difficult period in recent years, because of sharply rising newsprint prices, the falling circulations of some titles, and static advertising revenue.

A major union platform—stressed particularly by the NGA—has been a demand for extra holidays to increase employment. That initiative was not strongly taken up, however.

Big Christmas industrial shut-down has begun

BY OUR INDUSTRIAL STAFF

THE BIG Christmas shut-down of British industry began at the weekend, although many companies will this year confine the closure period to about one week.

While most sectors of industry cannot rival the British Steel Corporation — which is closing plants for only 36 hours compared with two weeks last year—the trend is in the same direction.

Last year a fortnight closure was common. This year's curtailment of the shutdown period by much of industry is more because the holiday comes close to a weekend than a reflection of fuller order books. Some companies, many of which are already on short-time, will again be closing for two weeks or longer.

The Engineering Employers Federation said most of its 6,500 members would not be giving extra holidays. "There is no national agreement," it said, "but where companies do close for a week it will be from December 21 or 28, with employees taking this out of their normal holiday entitlement or transfer days."

The Confederation of British Industry, which has made a limited survey of its members, said about 75 per cent of manual workers were entitled to four weeks holiday a year and some managements had agreed to close over the whole Christmas and New Year period. Companies were more inclined to close down for a longer period because of short-time working and the recession.

In the building and civil engineering industry there will be a two-week holiday period from December 21 to January 1 inclusive.

In electrical contracting, which is trying to fall into line with the building industry, workers will have five days of winter holiday plus the three public holidays.

In the plumbing industry in England and Wales workers will have five days' winter holiday, at the discretion of employers, plus four days' public holidays — one being carried over from earlier in the year.

In Scotland the shut-down will be from December 25 to January 4.

The heating and ventilating industries, in England and Wales, will be shut from December 21 to January 1 inclusive. In Scotland workers will have six days.

Most ceramics companies will close from December 23 to January 4.

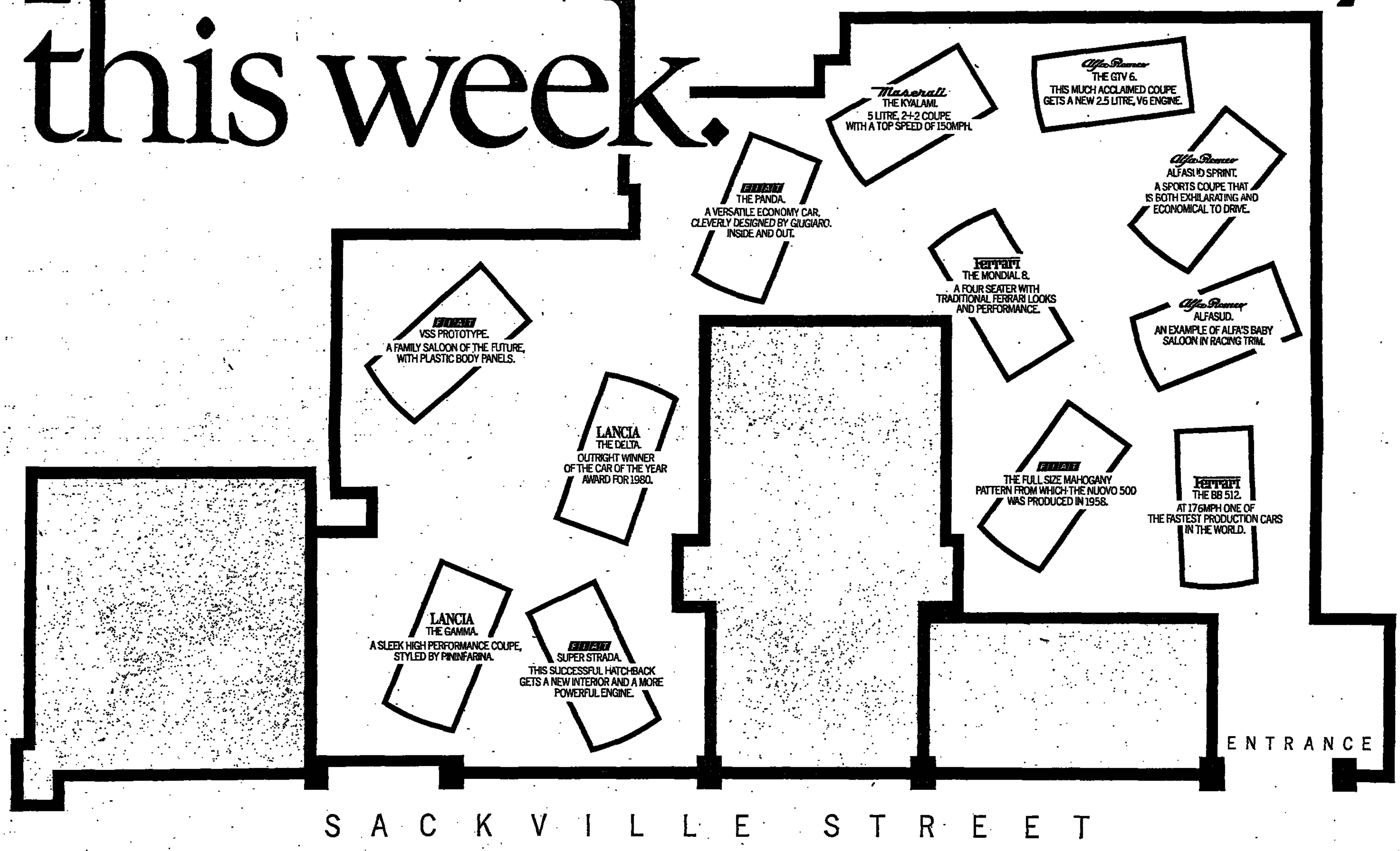
In the coal industry all pits will be closed on December 25 and January 1 and the vast majority will also be closed in the period between these two dates.

There is apparently no fixed pattern in the chemical industry but those plants with continuous processes are expected to close for the whole Christmas week or longer.

A survey made by the Association of Retail Distributors, says department stores will be open until Christmas Eve, many extending opening hours. Some will open on December 28 and all will be open between December 29 and 31 with the majority closed on January 1.

Much of manufacturing industry in London and the South East is expected to be closed from Thursday until January 4, according to a London Chamber of Commerce and Industry survey.

Some remarkable cars will be double parked in Piccadilly this week.



From today until Wednesday, the Italian trade centre in Sackville Street will host AutoItalia.

It is an exhibition of twelve cars. Cars that serve to demonstrate Italy's recent achievements in the fields of precision engineering, automobile design and manufacturing technology.

(Some of the models on display have never been seen in Britain before.)

AutoItalia bears witness to the unique position that Italy and her car makers occupy, within the world motor industry.

Today, it will open to invited members of the press.

Tomorrow and Wednesday, members of the public will be admitted.

If you are interested in the Italian motor industry, its products and progress, we suggest you visit AutoItalia in Piccadilly.

Though we don't suggest you park there yourself.

AutoItalia

Italian Trade Centre, 37 Sackville Street, London W1X 2DQ.

TECHNOLOGY

EDITED BY ALAN CANE

Fierce battle for the snapshot market

BY ELAINE WILLIAMS

IN THE 1950s it cost the equivalent of 9p to go to the cinema or to have a single colour snap developed. Today, some photographic processors charge as little as 10 per print but the cost of going to the cinema is at least £1.50.

The photographic industry has managed to contain its costs by increasing use of automation at all stages of developing and printing films.

High street retailers and mail order companies — Boots, Dixons, Gratispool and NAP Colour are embroiled in a fierce price war offering their customers a bewildering variety of cut price offers, free films, bigger prints and cheap enlargements.

The photographic industry is anxious to stimulate the UK market because British amateur photographers, on average, take only 100 photographs a year. The industry plans to spend £11m this year through advertising to encourage more consumer spending.

Keeping up with the latest automated processing techniques is becoming expensive, but laboratories are faced with increased pressure from consumers to improve print quality and return films faster, while keeping costs down.

Professional film processing and developing labs bear little resemblance to traditional amateur darkrooms. They are automated production lines taking in exposed films at one end, splicing them into lengths and developing them.

Kodak, which processes about 25 per cent of all films and large independent processors such as Grunwick and Tudor as well as mail order companies such as Gratispool and NAP Colour all have large investments in such equipment.

The rolls of developed negatives are loaded onto printing machines. The latest computer-controlled models such as those produced by Kodak are capable of producing nearly 13,000 prints an hour.

Kodak's 3510 printer not only guides the operator through setting up the colour balance and loading the machine but monitors the printing process for each negative.

Before each negative is made into a print the machine uses photosensitive cells to estimate the right exposure levels and colour balance. It can even detect a blank or foggy negative which is not worth printing.

Mr Geoff Cadogan of Kodak said that human operators found it difficult to assess the right colour balance especially if there was an excess of one particular colour.

"Most baby pictures are taken on a red rug, for some reason. Frequently, human operators end up with a print showing a rather boiled baby." However, automated machines are able to compensate more accurately and faster for such cases, he said.

More than 84 per cent of all films sold are for colour prints, about 14 per cent are for colour slides and the remainder are black and white films. The major growth of colour prints comes from increasing use of pocket and 35mm cameras.

Developing and printing is by far the largest sector of the £480m UK amateur photographic industry which took about £210m last year. This year the total market will be worth about £550m. Though inflation is an important factor in the industry's growth, over the past five years the market has increased between 5 and 9 per cent.

To help satisfy the public's demand for quick processing, processors have begun to introduce shops with processing on the premises which can offer finished prints within a few hours. This has been made possible by miniaturised but computer-controlled versions of processing and printing laboratories which can fit into the relatively small area of a high street shop.

Because of the speed of ser- are called — tend to charge vice these mini-labs — as they higher prices for their services compared with other high street retailers who send their prints away to laboratories for overnight processing.

In September, Dixon Photographic opened the first of its Photo shops near St. Paul's Cathedral, using a minilab and has plans to introduce others in major towns and cities. Gratispool, Britain's biggest mail order film processor, has also opened a mini lab at Croydon, Surrey.

Investment in mini-labs can be as high as £250,000 and the industry is cautious about the prospects for this type of equipment. In the U.S., more than 30 per cent of shops offering on the spot processing failed within two years of operation because they were not in tourist or city areas where film turnover is higher.

According to a recent report *Clicking Britain* produced by the photographic industry "the public is more aware, better educated and more critical of any shortcomings as far as their photographs are concerned."

Mr Cadogan believes that laboratories must continue to press for improved quality of printing if Britons are to be encouraged to snap more often.

As a major supplier to laboratories, Kodak introduced quality awards four years ago to help set standards within the industry but it has now begun to market very sophisticated quality control equipment for automated laboratories.

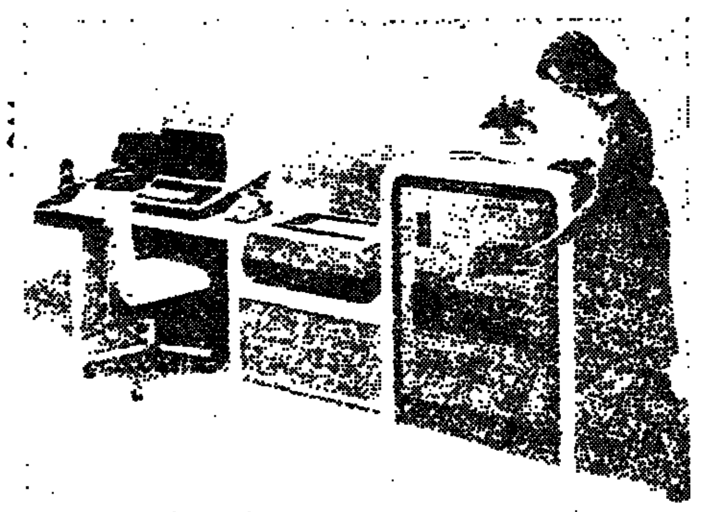
The Technical Assistance Network—Technet—became available in the UK earlier this year and is based on a powerful minicomputer which is linked into the automated processing equipment. It monitors each printer, for example, and notes deviations in the colour balance from those originally set on the machine.

When the computer detects that the quality of printing on a particular machine is too low it will list the probable causes of the problem and suggest remedies.

In addition, users can make a local telephone call and be connected to Kodak's main computer system in the U.S. and the Netherlands via a satellite link. This gives access to the latest technical information but also helps processors with more complex production problems which cannot be solved on their own computer. So far only two customers in the UK are connected to the Technet system.

Together with developments in automated processing have come more stable materials in films and fewer chemicals used during the stages of producing prints. This has resulted in less waste and fewer disappointed customers.


Roger Taylor
Dixon's Photographic Photo Shop in London employs the latest computerised equipment to produce a fast print service in a busy tourist area


Kodak's Technet computerised quality control system helps processors maintain colour print standards

Computer ticket system for the Barbican

WHEN the £140m Barbican Conference Centre opens next March it will have London's first fully computerised box office system. A £200,000 ticketing system has been ordered from Space-Time Systems.

The installation will be capable of producing tickets for the many arts and conference events which will take place at the centre.

The ticket system which is based around Digital Equipment's PDP 11/44 minicomputer has 16 sales points which comprise a video terminal and a printer which are installed at the box office but also public areas throughout the new centre.

Air Florida goes for a WIDE choice

BY GEOFFREY CHARLISH

THE FIRST airline to use Rediffusion's Wide-angle Infinity Display Equipment (WIDE) will be Air Florida, which has decided to fit a system to its new Boeing 737 flight simulator.

WIDE was announced earlier this year and does away with the previous arrangement for pilot viewing in which a separate TV screen is installed for each of the cockpit windows. Not only was the forward view therefore split up into several, separate images, they also looked unreal because they were placed only a few feet from the pilot's face.

In Wide, three colour projectors are employed to give images which, when seen side by side (the joins are barely visible) produce a forward view of 150 degree horizontally and 40 degree vertically.

The projection surface furthermore, is wrapped round the front of the cockpit and carries images that have been collimated by a big wrap-round mirror. Thus, the pilot sees a continuous, distant image wherever he looks. He can move his head about freely or move about in the cockpit without losing the illusion.

The cross-cockpit view obtainable is particularly impressive—indeed at a recent demonstration another aircraft was seen to draw up alongside, piloted, in effect, by the instructor. The wide angle distant image, identical, apart from small detail, to what is seen from a real aircraft, should also be useful in circling approach training exercises.

All the images were computer-generated in the recent demonstration by Rediffusion Simulation's Novoview equipment. Night time, dusk and daylight scenes can all be generated.

Air Florida's 737 simulator, under construction at Rediffusion's Crawley plant will use the latest Novoview SP3 computer generated images and is scheduled for acceptance testing in the middle of next year.

The system is already notable, says the maker, as being the subject of the first contractual commitment by a simulator company to meet Phase 3 training requirements of the FAA (Federal Aviation Administration) advanced simulation plan.

The main provisions of Phase 3 allows new U.S. pilots to carry out all their initial training on a suitably approved flight simulator. Already, under Phase 2, experienced pilots can perform the transition from one aircraft type to another entirely on the simulator.

Microcomputer shops in the high street

THE FIRST in a series of microcomputer shops opened in London last week to cater for the small business user.

Bonsai, headed by Mr Michael Kraftman, a 24-year-old Cambridge graduate, will sell own label microcomputers, personal computers and software.

Within the next 10 years the company hopes to open a showroom in most major cities in the UK.

Mr Kraftman has raised £120,00 for the venture, most of which supplied by Barclays Bank under the Government's small firms loan guarantee scheme.

He believes that there is a gap in the microcomputer market which relates to the small business user. Though there are growing number of computer stores offering "take away" systems and, at the other end of the scale, systems companies which will provide expensive one off designs, Mr Kraftman says there is no middle ground.

The company will sell a range of three computer systems varying in price from £600 to £25,000. The smallest is the latest NEC personal computer, the remainder will be sold under the Bonsai lable but will be manufactured for the company by LSI Computers in Surrey and Micromation, based in San Fransisco.

The LSI computer is called the SM3,000 which is a desktop microcomputer for single user applications, the Micromation model, the Bonsai MU9000 will allow up to eight separate work stations to link into it.

Integrated dealing system

THE Bank of America, working in conjunction with Logica, the software house, has developed an integrated dealing room systems based on Logica's DIDS software.

DIDS, the dealer information display system, is a sophisticated network of display screen linked by video cabling along which messages move at very high speeds.

Bank of America is chiefly interested, at present, in data capture of dealer positions and limits and the system allows virtually instantaneous updating of all dealer screens simultaneously.

It runs on a Data General Eclipse minicomputer and uses Reuters developed keyboard controlled video switching equipment.

Dids was originally developed by Logica for Morgan Guaranty (see this page, November 9), but the Bank of America system is different in style and approach.

It includes facilities allowing the dealer to scan:

- Internal rates (spot, forward, Eurocurrency)
- Automatically calculated values (cross rates, EMS snake)
- External services such as Reuters or Dow Jones
- Positions and limits
- Back office data and calculations

The facilities are intended to be integrated into the dealer's workstation. More from Logica on 01-637 9111.

Eraser

ERASER International has introduced a hand-held wire stripper with a low voltage DC motor. The unit adjusts automatically for wire sizes between 11 and 33 swg by using three blades centrifugally operated by counter balanced weights. The blades are of tungsten carbide and easily replaced. More from Eraser International, Unit M, Portway Industrial Estate, Andover, Hants (0264 51347).

BUILDING AND CIVIL ENGINEERING

Turriff group has more than £25m

CONSTRUCTION is to start within the next two weeks on the NFU headquarters at Stratford on Avon, the first contract in a batch of new work worth £25.5m just won by Turriff Corporation. This four storey block with an in situ reinforced concrete frame will be cladded in stone and has been designed by Robert Matthews Johnson/Marshall & Partners of Weymouth Street, London, W.1.

A £4m project for the PSA comprises construction of a rehabilitation centre at Egham, a phased demolition and rebuild. The new centre will comprise hostels of single and two storey accommodation for the disabled, staff hostels, a welfare block (mainly single storey), dining block, workshops, medical centre and ancillary buildings.

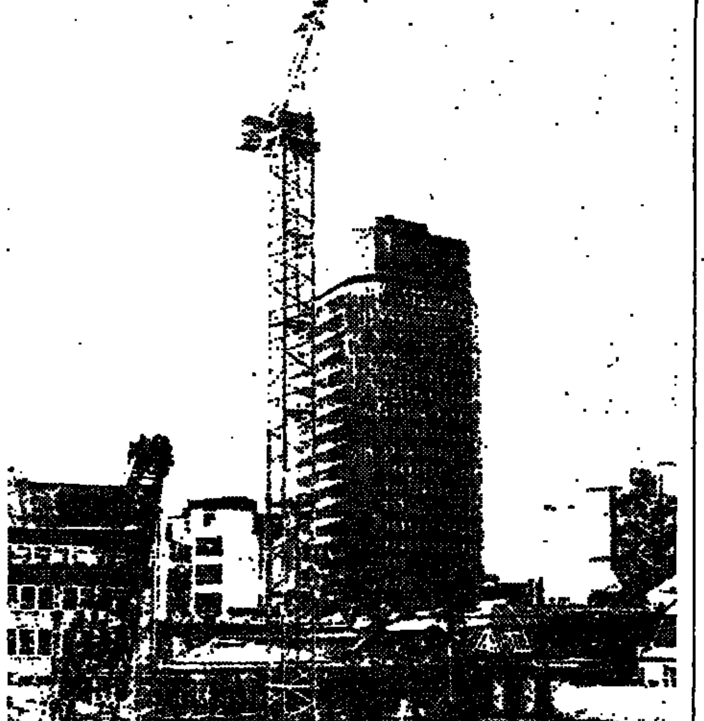
Another scheme for the PSA, valued at £2m, is a district post office at Wolverhampton to be built as a six storey reinforced concrete frame office block with brick cladding and external works.

Turriff will also undertake refurbishment work on depots in York for the PSA which includes modernisation of workshops, roads and other external works.

Two contracts at Broadmoor Hospital for the PSA cover the erection of a combined depot consisting of three single storey steel framed buildings with offices and associated site works; and a staff club which will be a single storey split-level steel frame and rc structure. These two together are worth more than £2m.

For the Borough of Hammersmith and Fulham, modernisation and refurbishment of 269 flats as well as external works brings in another £4.5m worth, and the company will carry out similar work on houses in Birmingham, Burton on Trent and Bromsgrove.

The construction of a 16 inch diameter dredging main for the Port of Bristol Authority and various fencing contracts for the subsidiary company, Contract Fencing (Warwick) amount to £300,000, the biggest single scheme being for fencing on the M54 in Shropshire.


The second of three Peiner tower cranes being positioned on the Lloyd's Leadenhall/Lime Street development in the City. Delta Plant Hire won the £650,000 contract from Wyseplant (*a Bovis subsidiary*) *against hot competition from many* leading crane makers.

Particularly challenging aspect of the operation was the limited access afforded to the contractors on this 50,000 sq ft complex which demanded tower cranes able to reduce the jib length without the need for additional craneage.

The Peiner SK400 is a tower crane capable of a maximum lift of 20 tonnes and 8.4 tonnes at the end of its 49.2 metre jib with a final height under the hook of 94 metres.

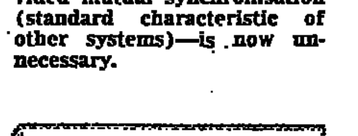
When completed, the new Lloyd's building will contain an underwriting room and office accommodation capable of meeting the needs of the market well into the 21st century.

What's new in building

DESIGNED FOR use in guardrooms, staircases and passages, is the "EFF EFF" ultrasonic motion detector from BSG (Security), 34 Dean Street, London W1 (01-439 4536).

Used to actuate alarm systems it emits ultrasonic waves, simultaneously receiving such waves as are reflected. If both the emitted and reflected waves are at the same frequency, a state of balance exists. But if the frequency of the waves received is even slightly different, the alarm is actuated.

Major advantage of the system, says the maker, is its reduced tolerance—if more than one detector is provided mutual synchronisation (standard characteristic of other systems)—is now unnecessary.



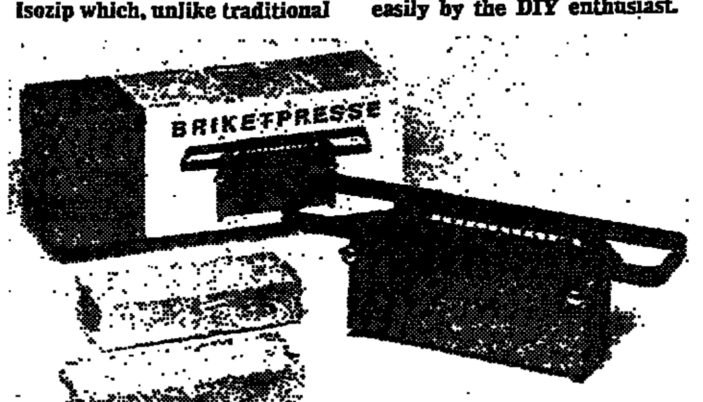
IN RECENT years there have been trends for synthetic products, many of which have attacked the traditional virtues of wood . . . now wood is fighting back and reminding people of its benefits in a brochure jointly published by the British Woodworking Federation and Timber Trades Federation.

Copies of "Hardwood in the Eighties" are available free of charge from the British Woodworking Federation, 82 New Cavendish Street, London, W1 (01-580 5588).

*

A HEAT and labour saving pipe thermal insulation called Isozip which, unlike traditional materials, can be cut with a kitchen knife or pair of scissors—and just zips on to pipework and fixed without any mess—is produced by ACR, Rollesby Road, Kings Lynn (Kings Lynn 63371).

A heating engineer should be able to cut his costs by 50 per cent with the system, says the company, and the product can also be handled easily by the DIY enthusiast.



Old newspapers can be converted into a clean and excellent fuel for burning on any open fire or solid-fuel stove, says the Watts Group in Reading which has imported a machine for this purpose. Invented by a Dane, Erik Foldbere, the machine takes overnight-soaked newspapers, squeezes out the water, and compresses the pulp into a tight mass.

Brickettes are then extracted from the machine, dried out (varying from five days in summer to a couple of weeks *under cover in the winter*) and then ready for burning. A Danish survey says the heat value is high and one 10 oz brickette (made from a single copy of a typical tabloid paper) will burn for about one hour.

SAID TO cost no more than a plain steel door is Henderson's K60 insulated slideover door. This is made of roll formed steel sheets bonded with polyurethane foam which provide an effective thermal break between inner and outer faces, giving a U value of 0.59 W/m²°C (complying with the thermal transmission requirements of UK building regulations).

The door has a special wedge action which gives a secure, weathertight fit to the opening.

Available with manual or automatic electrical operation. More from P. C. Henderson, Romford, Essex (040 23 45555).

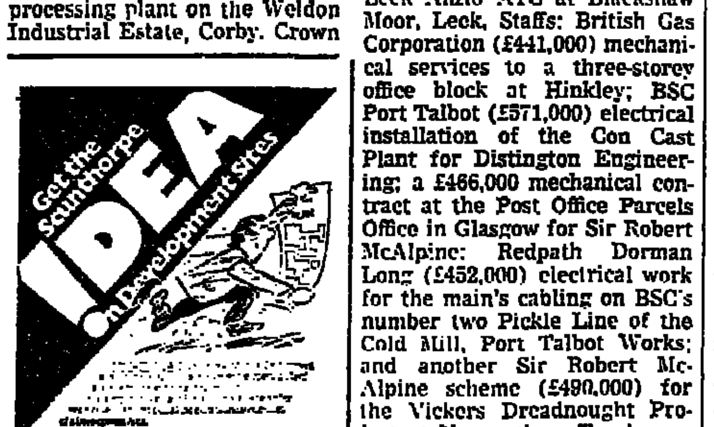
Crown House buoyant

MORE THAN £7m worth of new work has just been won by Crown House Engineering, including a £1.2m design and construct contract from John Lelliott. This covers electrical, mechanical and plumbing services for the conversion of the old Wool Exchange at 21 New Street, London EC2 into new offices for Singer and Friedlander.

A £1.1m award covering electrical, mechanical and instrumentation for ABR chemicals is at a new wheat processing plant on the Weldon Industrial Estate, Corby. Crown says this is the first project of its type in the UK, and the company is designing and installing the services in conjunction with Raision of Finland.

Electrical and mechanical contracts worth just under £1m have been awarded by W. E. Chivers and Son for the Wessex Regional Health Authority, Odstock District General Hospital in Salisbury.

Other jobs include a £470,000 project from the PSA for all the mechanical services for the Leek Anzio ATC at Blackshaw Moor, Leek, Staffs; British Gas Corporation (£441,000) mechanical services to a three-storey office block at Hinkley; BSC Port Talbot (£571,000) electrical installation of the Con Cast Plant for Distington Engineering; a £466,000 mechanical contract at the Post Office Parcels Office in Glasgow for Sir Robert McAlpine; Redpath Dorman Long (£452,000) electrical work for the main's cabling on BSC's number two Pickle Line of the Cold Mill, Port Talbot Works; and another Sir Robert McAlpine scheme (£490,000) for the Vickers Dreadnought Project at Newcastle-on-Tyne.



Sea defence project

MAJOR CONTRACT in a new batch of work totalling nearly £5m just announced by Edmund Nuttall is a £2m scheme to construct a shore-linked breakwater for the Metropolitan borough of Wirral.

This will be made up of over 10,000 cubic metres of bed and filter stone contained by 23,000 cubic metres of armour stone, and involves the removal of deteriorating concrete facings, the laying of precast concrete wave absorption blocks, and the construction of wave walls, apron slabs, slipways and a reinforced concrete roadway.

The Mears arm of the company will undertake the sea defence work and another £1½m project for the same client for the construction of 76 one- and two-bedroom bungalows and four three-bedroom houses in Wallasey together with associated roads and drainage.

Southern Water Authority has also placed a contract with the Mears division for reinforced concrete retaining walls and cantilever steel sheet pile walls over a half mile stretch of the Thames at Gravesend. Value of the work is £600,000 and includes the fabrication and erection of hinged and sliding flood gates.

Nuttall's Scottish division has recently secured £2.5m worth of various civil engineering contracts including a causeway and two ferry terminals in the Outer Hebrides.

Around the industry

AIR PRODUCTS has opened its £12m management and engineering centre at Hersham, Surrey, which comprises three inter-connecting, three-storey diamond shaped blocks, including plant rooms together with restaurant, social club and on-site parking for 400 cars. Around 69,000 sq ft is for office use with the remainder for engineering research and ancillary purposes.

UNDER THE terms of an agreement signed with Dutch provincial electricity company PGEM, Hemel Hempstead based Lysag is solving a costly waste-disposal problem at a power station in Holland.

Claiming to be the only company in the world converting fuel ash into aggregates on a commercial basis, Lysag will advise on the design, construction and operation of the multi-million pound production plant on the bank of the Waal at Nijmegan, which burns an estimated 2m tonnes of coal a year, leaving between 200,000 and 250,000 tonnes of fly ash to be disposed of. More from 01-906 5612.

ALL SITE power for the new £32m Costain M25 motorway contract is to be supplied via a comprehensive temporary system made and installed by Tripower (0767 50011). The installation on the six-lane motorway incorporates high sensitivity earth leakage protection. Additionally, energy-saving time switches will be fitted to economically control lighting and heating in the offices and security floodlighting around the perimeters.

TO BE held at the Royal Garden Hotel, London, from March 1-5 next year, the 1982 Building Industry Convention will cover conferences, seminars, workshops, exhibitions and social events organised by major building industry bodies as a forum for the whole industry. More from A4 Publications, PO Box 12, Church Road, Woldingham, Surrey (088 385 2051).

NATIONAL CONTRACTING arm of the William Moss Group, William Moss (Construction) has opened an office at Pemberton Court, Fishponds, Bristol BS16 5BJ (0272 651369), to be managed by Mr P. P. J. Cullen.

MALCOLM WEST Plant Hire has won the franchise for Sambron rough terrain fork lift trucks in North and South Humberside, Lincolnshire and South Yorkshire.

Other contracts

An order worth £2m has been awarded to LESLIE AND CO., Darlington, by Washington Development Corporation, Tyne and Wear. The contract is for the construction of an office development, Coniston House, which will provide nearly 80,000 sq ft of new office accommodation. Construction will commence in January and completion is scheduled for Aprol 1983.

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CENTRONIC, Croydon, has received contracts worth nearly £1m from the National Nuclear Corporation for the supply of neutron flux detectors. They are to be used inside the pressure vessels of the two AGR nuclear power stations being built at Heysham for the Central Electricity Generating Board, and at Torness, for the South of Scotland Electricity Board.

Must transport break even?

THE PIVOTAL point in all five judgments by the Law Lords in the London Transport case, *R v Greater London Council, ex parte the London Borough of Bromley*, was whether parliament in passing the Transport (London) Act 1969 intended to introduce a fundamentally new system of financing the transport services for London.

Did the legislature intend to abandon the principle of earlier legislation, that transport should operate on a "break even" basis? Should statutory bodies be able to choose to subsidise a loss operation out of funds raised from ratepayers?

The Law Lords were not oblivious to the political climate about transport policy. Judges must not take sides on whether public transport should be regarded as a social service, to be financed out of taxation. But the Lords were anxious to examine the 1969 Act to see whether parliament had opted for one rather than another policy. (Lord Diplock specifically spoke for all five in disclaiming any view on the wisdom or fairness of the GLC's Fares Fair scheme.)

The five decided that the statutes had not abandoned the policy that a local authority owes a primary and fiduciary duty to ratepayers.

Lord Scarman said: "It would be strange if so fundamental a change were to be introduced into the law by a section setting out the general duties of the junior partner in the provision of London passenger transport services.

If parliament had such a change of mind I would have expected it to enact it expressly in Part I of the Act where the general duties of the policy maker, the GLC, are set out. But Section 1 (1) says nothing to suggest the exclusion of the fiduciary duty to the ratepayers: indeed, for the reasons I have given, it suggests the contrary."

The five Law Lords proceeded to dissect, in traditionally judicial style, the provisions of the legislation. They could detect only that parliament intended to continue to prefer that ratepayers should be the first consideration in the formulation of a transport policy for Greater London.

By parallel routes they all reached the conclusion that parliament had foreclosed a policy of subordinating the claims of ratepayers to those of the travelling public.

Strangely enough, the Lord's decision came on the 13th anniversary of the second reading of the Transport (London) Bill. Pronouncements by parliamentarians at the time do not give a consistent view about what they were intending to legislate. But Mr Richard Marsh, Labour's Minister of Transport at the time, said the government was making a break with past transport policy. The Minister's words are worthy of verbatim repetition.

At columns 1247-8 of Hansard for September 17 1968 the Minister said: "I turn now to the role of the GLC (Greater London Council) in relation to the Executive (London Transport Executive). The main powers that the council will have, apart from the powers to appoint, will be to pay grants to the Executive for any purpose it thinks fit and to issue direction to the Executive.

"This gives the council the right to prescribe the policy lines to be followed and to take

THE WEEK IN THE COURTS
BY JUSTINIAN

financial responsibility for its decisions. This is very important, because if the Council wishes to do something that will cause it to fall short of its financial targets, it will itself have to take financial responsibility for it.

The council might, for example, wish the Executive to run a series of services at a loss for social or planning reasons. *It might wish to keep fares down at a time when costs are rising and there is no scope for economics. It is free to do so. But it has to bear the cost.*"

If the architect and promoter of the legislation can properly be said to reflect the intention of Parliament—and it may be that parliamentarians did not endorse the Minister's categorical intention—the Law Lords have now simply contradicted that intention. How does it come about that the judiciary and the legislature can speak with opposite voices?

The judicially acknowledged sovereignty of Parliament in *the British system of government* is seriously impaired if the will of Parliament is negated by a misreading and misinterpretation of the statute law by the courts. If our courts had a constitutional role in being empowered to strike down legislation that breached a provision of a written constitution (as in the U.S.) the function of the judges would be understandable.

But so long as the courts are merely the interpreters of legislation, they should have every facility for ascertaining Parliament's true intention. In practice, judges have deprived themselves of a primary source for determining that intention.

Judges are not permitted to read the proceedings of Parliament as an aid to the construction of statutes, although Lord Denning is a constant flouter of that long-established practice (during the course of the hearing of the case in the Court of Appeal, counsel for the GLC did cite the passage in Hansard revealing the Minister's understanding of the provisions of the Bill, but Lord Denning remained selectively blind).

Statutory construction is rightly a matter exclusively for the courts. Judges alone must say what parliament intended, and hence declare what the law is. No one would quarrel with that proposition, which makes good sense in a system which believes in government by the rule of law.

Courts, however, are entitled to expect parliament to evince its intention clearly in the language used that prompts the legislation. All too frequently the statute is vague and uncertain.

The courts have adopted certain canons of construction in order that they might accurately ascertain the intention of parliament. They will look at the mischief which parliament sought to remedy; they will even look at the purpose of the legislation rather than stick to the natural and ordinary meaning of the words used. But they will not examine the debate in parliament that preceded the the passing of the Act.

Why is it that English judges so assiduously turn their backs on the most relevant material for determining the intention of parliament—namely the expression of intent during the passage of the Bill through its legislative stages?

Lord Reid, who was a judge for 27 years until he retired seven years ago as the senior Law Lord, was not averse to the courts receiving evidence of parliamentary intention instead of gleaning it solely from the language of the draft. He acknowledged that the first think would be to reverse the present practice with regard to consulting Hansard.

But he foresaw difficulties. Questions that give rise to parliamentary debate may not be those that activate litigation on the Acts of Parliament. Courts might take the view of the Bill's promoters, but often enough the litigated issues did not occur to the promoters and the search through Hansard might be in vain.

Again the search might merely produce material from which a more or less dubious inference could be drawn as to what the promoters intended, and it would be dangerous to fill in the gaps from what other members of parliament had *thought was the legislative* intent.

On the whole, Lord Reid was in favour of adhering to the present practice, with no great confidence that his should be the last word on the subject. (Anyone concerned with the *means whereby courts could* ascertain the intention of parliament expressed in statutes should read the luminous judgment of Lord Simon of Glaisdale in *Black-Clawson Ltd. v. Papierwerke AG**.)

Given the categorical and unambiguous statement of the Minister of Transport in December 1968 about the intention that lay behind the Transport (London) Bill, few judges would, one hopes, persist in a contrary conclusion of the parliamentary intention.

They might with justification ruefully wonder how on earth the draftsmen had so lamentably failed to give verbal expression to so clear an intention. But at least the judges would not be able to justify their decision blinded by the curtain drawn over parliamentary debates. They would know that their search for parliamentary intention had been as thorough as could be.

A court faced with the task of construing a statute should never deny itself any part of the light thrown on the legislative process and persist in groping for the true meaning and intent of legislation in darkness or half light.

* *1975 AC 591 At 645-6.*

RUGBY
BY PETER ROBBINS

Scotland slow to unleash backs

SCOTLAND'S match against Australia somehow summed up modern. international rugby: bombard the opposition with kicks and wait for mistakes.

Today it is not so much creativity that wins the game—had that been the case Australia would have won—but the opposition's human frailty. Like so many sides. Scotland waited interminably before slipping the leash from their eager backs.

Was it necessary to wait so long? The players, coach and selectors would justifiably point to their 24-15 victory. But Scotland will need to play more expansively earlier against the home counties if only to demontrate that, at last, they believe in themselves.

However, the match was always interesting and each side dominated the separate periods of play. Australia the first half and Scotland the second.

In the second half Tony Shaw, Australia's captain, was fortunate to remain on the field. He felled Cuthbertson in front of everyone. It was uncharacteristic, but how Mr Quittenton allowed him to stay on the field is a mystery and an affront to the game.

It has become very obvious that this touring side, with all its amiability, is limited. Injuries, especially to Hipwell, have meant a struggle at the top level. Nevertheless, they accept the vicissitudes of touring and one of them, on Saturday, was McLean's failure to kick goals.

Irvine kicked five penalties and a conversion for Scotland which only emphasised the argument that good defence and a good goal-kicker win internationals.

With Irvine in such great kicking form it was inane of the tourists to concede so many penalties. They have repeatedly *and expressly infringed* when their line has been threatened. Shades of the footballing equivalent — the professional foul.

The other unexpected failure was Gould, the fullback, who had a difficult second half because of Rutherford's accurate kicking. Australia were pinned in their own half for long and anxious periods and were forced to try to run from deep in their half.

Australia did cover up their mistakes quickly, mainly thanks to Poidevin, Loane and Cornelsen. However, they could not do it all especially when they found themselves matched and, *on many occasions, outplayed* by Leslie, Calder and the rising star Paxton.

I felt sorry for Loane because a player of such outstanding talent bears so much responsibility when he is surrounded by *lesser mortals. It is exactly* the same for McLean with his kicking.

Ella, at flyhalf, generated more movement but still passes awkwardly. Given Irvine's series of penalties, and the fact that Australia played adven*turously*, the tourists are entitled to ask if adventurous play pays off at all, particularly after the wonderfully contrived try by Slack.

Scottish coach Jim Telfer has tightened play considerably but he was not altogether happy about the line-out possession won by Cuthbertson and Tomes. They were slow to react to the bobbing 50-50 ball but Paxton was good at the back.

Sir Nicholas Shehadie had forecast a hard match, because of the excellence of Scotland's back row, and that proved correct.

Calder, Paxton and Leslie tackled and supported demonically. Again, Scottish forward commitment was tremendous with Deans everywhere and the pack making tackles they never thought possible.

The same sort of defence obtained in the centres Renwick *and Johnston and Baird, the* new cap, outclassed everybody in this sphere. It was an impressive debut and a pity that his chances in attack were so few.

That may have been because of the rigid but understandable lines drawn by Laidlaw and Rutherford. Irvine, like Rutherford, recovered his poise in the second half and when he converted Renwick's try he set a new record of 17 points in one game for Scotland.

Other opponents this season *are unlikely to give away quite* so much but things still look promising for this well-balanced Scottish side.

SOCCER
BY TREVOR BAILEY

Chelsea show chameleon quality

A SAD week ended for Chelsea on Saturday when, in front of their smallest home gate of the season, they had to settle for just one point against Blackburn Rovers.

Rovers equalised with a dipping header after a miskick.

Chelsea are not in promotion form, which the club need if they are to move out of the red.

Although they have reduced their debt from more than £3m to £1m, this remains a burden which attendances of under 11,000 will not ease.

The latest riot involving some moronic supporters, means they have to find £1,000 compensation for every club they visit from January 1 until the end of the season. The FA ordered these to be all-ticket matches.

The intention was to punish Chelsea for their fans' behaviour. However, this action, in spite of the compensation, is likely to penalise the other clubs as well because no tickets can be sold on the match day. Also, it will not stop any determined Chelsea follower going to an away game. This was illustrated a few years back, when thousands went North for a game from which they had been officially banned.

The last Saturday before *Christmas has* always produced low gates and one wonders whether this did not influence the postponement of some of the other league fixtures in London. Would so many have been called off, if it had been next Saturday, when the crowds should be large?

The Stamford Bridge pitch was dry, bone hard and became progressively more slippery as the match continued. It was certainly feasible to play. Indeed, one of the charms of the game is that a form of football can be played on almost any surface, and both teams can be congratulated on what they produced.

It was, however, noticeable that there were no hard, heavy or sliding tackles, as these would have been dangerous and invited serious injury.

The first half clearly belonged to Blackburn who made excellent use of two wingers, Brotherston and Miller, to support their two lead forwards. It was only the agile keeping of Francis which prevented them from taking a deserved lead.

After the interval, Chelsea displayed more urgency. Lee, a graceful centre-forward, took a splendid pass from Mayes to score. They had several opportunities to go further ahead before relaxing long enough for Rovers to draw, the fairest result.

There is a fascinating chameleon quality about Chelsea, spells of brilliance, such as the superb run by Hales, interspersed between distinctly mundane periods.

This may stem to some extent from the fact that the club have a knack of discovering a remarkable number of small, nippy, talented footballers, such as Mayes, Hales, Bumstead, and Wilkins.

They tend to sparkle brightly but intermittently. At the moment, they are not sufficiently consistent, so that Chelsea look too patchy to be a good bet for promotion.

TELEVISION

Chris Dunkley: Tonight's Choice

Another 15 programmes in the BBC 2 series **100 Great Paintings** start today with Richard Cork's views on Egon Schiele's "Woman With Two Children." After children the subjects of this new batch will be processions and music. That's followed by the last of the **Tales of 12 Cities**, "The Leader's Tale," which features London and the leader of its council, Ken Livingstone. Tony Laryea's film *follows Livingstone through part of his* crowded life last summer.

Still on BBC 2, Paul Scofield (a rare visitor to television) and Cheri Lunghi star in **If Winter Comes**. This year is the 25th anniversary of the Hungarian uprising and the play is set in Budapest at the end of the Stalinist era two years earlier. A group of drama students play out the most important events in their lives before Professor Moroi (Scofield) one of Hungary's leading actors and a member of the Central Committee. Karoli reveals that he has fallen in love with a girl whose father was a colonel in the old regime, whereupon Moroi decides to give one of his greatest performances. Both the author Janos Nyiri and the director Peter Sasdy were drama students in Budapest at the time of the uprising.

BBC 1

9.20 am Gymnast. 9.45 The Perishers. 9.50 Jackanory. 10.05 The Perils of Penelope Pitstop. 10.25 Why Don't You . . . ? 10.50 Play Chess! 11.00 The Rose and the Ring. †11.20 King of the Rocket Men, 12-part series starring Tristram Coffin as Professor Jeff King. 11.40 The Hardy Boys and Nancy Drew Mysteries. 12.30 pm News, Weather. 12.57 Regional News for England (except London). 1.00 Pebble Mill at One. 1.45 Chock-a-Block. 2.00 See Hear! 2.50 International Show Jumping from the Grand Hall, Olympia. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 The Cricket in Times Square. 5.05 Blue Peter. 5.35 Paddington.

5.40 News, Weatherman.
6.00 Nationwide.
6.55 Angels.
7.20 Blake's Seven (last in series) starring Paul Darrow.
8.10 Panorama presented by David Dimbleby.
9.00 Nine O'clock News, Weatherman.
9.25 Max Boyce in Concert at the Royal Court Theatre, Liverpool.
10.00 International Show Jumping from the Grand Hall, Olympia.
10.45 Film 81 with Barry Norman. A round-up of Christmas films.
11.18 News Headlines.
11.20 Men v Women: An International Golf Challenge.
12.10 am Weatherman

BBC 2

11.00 am Play School.
11.25 Closedown.
†2.35 pm Harold Lloyd in "A Sailor-Made Man" (1921) and "Grandma's Boy" (1922).
†3.55 Star Movie: "The Dark Mirror" (1946) starring Olivia de Havilland, Lew Ayres.
5.15 Howard Shelley (piano) plays Schumann.
5.25 Under Sail (last in series).
†5.40 Daredevils of the Red Circle.
6.00 The Record Breakers.
6.25 Cartoon Two.
6.35 Living in the Past: Conclusion.
7.05 News Summary with subtitles, Weather.
7.10 One Hundred Great Paintings (new series).
7.20 Tales of Twelve Cities. Last of 12 documentary films: "The Leader's Tale." follows GLC leader Ken Livingstone through a few working days.
8.10 Dave Allen.
9.00 Paul Scofield in "If Winter Comes," play by Janos Nyiri, also starring Cherie Lunghi.
10.00 Horizon: "Painting by Numbers," computer graphics.
11.05 Stephane Grapelli plays "Rhythm on Two."
11.35 News, Weather.

LONDON

9.30 am Cartoon Time. 9.45 Beau Brummel, starring Stewart Granger, Elizabeth Taylor, Peter Ustinov. 11.30 The Further Adventures of Oliver Twist. 12.00 Cockleshell Bay. "A Cockleshell Christmas," narrated by Brian Trueman. 12.10 pm Rainbow: Geoffrey Hayes, Stanley Bates, Jane Tucker, Rod Burton, Freddy *Marks* and Roy Skelton in "Frustration." 12.30 Doctor! 1.00 News. 1.20 Thames News. 1.30 Farmhouse Kitchen. 2.00 Money-Go-Round: Joan Shenton and Tony Bastable investigate your consumer problems and offer advice. 2.30 The Gift, starring Gary Frank, Julie Harris, Glenn Ford: Watch It! 4.15 Sheep Ahoy. 4.20 The Sooty Show. 4.45 I Have a Dream Today.

5.45 News
6.00 Thames News.
6.25 Crossroads.
6.35 Crossroads.
7.00 Bullseye.
7.30 Coronation Street.
8.00 Nice to See You! starring Bruce Forsyth with Harry H. Corbett, Faith Brown, Marti Webb and Lionel Blair.
9.00 ITN News, followed by Thames News Headlines.
9.15 Sweeney 2, starring John Thaw, Dennis Waterman.
11.15 Hammer House of Horror: "Witching Time."
12.15 am It Happened One Christmas. James Gary Armstrong talks to Gillian Reynolds about his Christmas 1978.

† Indicates programmes in black and white.

All IBA regions as London except at the following times:

ANGLIA

9.30 am Larry the Lamb. 9.40 Santa's Pocket Watch. 10.00 The Little Brown Burro 10.30 The Pied Piper. 1.20 Anglia News 2.30 The Gift, film. 6.00 About Anglia. 6.30 University Challenge. 9.00 News, followed by Anglia News and Weather. 11.15 Vegas. 12.15 am Glory to God in the Highest.

ATV

9.35 am The Stationary Ark. 10.00 Horse-Drawn Magic. 10.25 Bailey's Bird 10.50 A Christmas Two-Step: Stars Cory Sobol 11.15 Adventures of Sinbad 1.20 pm ATV News. 6.00 ATV Today. 11.15 *Portrait of a Legend:* Tina Turner 11.45 ATV News. 11.50 Something Different.

BORDER

9.30 am Sesame Street 10.30 Morning Matinee. 11.55 Undersea Adventures of Captain Nemo 1.20 pm Border News 6.00 Lookaround Monday 6.15 The Sound of Children 9.00 News and Border Weather. 11.15 Hear, Here. 11.30 Border News Summary.

GRAMPIAN

9.35 am First Thing. 9.40 Santa's Pocket Watch. 10.00 The Little Brown Burro 10.30 The Pied Piper. 11.55 Mel O Toones. 1.20 pm North News. *6.00 North Tonight and Weather.* 6.30 Country Focus. 11.15 Vegas. 12.15 North Headlines and Weather.

GRANADA

9.30 am Joe 90. 9.55 Rhubarb. 10.30 The Christmas Martian. 11.35 Little Brown Burro. 1.20 pm Granada Reports. 6.00 Granada Reports. 11.15 Quincy. 12.10 Going Out.

HTV

9.45 am Sesame Street. 10.45 Mork and Mindy 11.35 A Christmas Two-Step. 1.20 pm HTV News. 6.00 Report West. 9.13 HTV News. 11.15 The Making of Fellini's City of Women. 12.30 Weather.

HTV Cymru/Wales—As HTV West except 12.00 Ffalabalam 6.00 pm Y Dydd. 6.25 Report Wales.

SCOTTISH

9.30 am Wild, Wild World of Animals 9.55 Of Tides and Times, 10.20 Father, Dear Father. 10.45 Snow Sports in the North. 11.35 Stars on Ice. 6.00 pm *Scotland Today.* 6.40 Crime Desk. 11.15 Vegas.

SOUTHERN

9.30 am Wild, Wild World of Animals. 9.55 Bailey's Bird. 10.20 The Tiny Tree. 10.45 Young Ramsey. 11.35 A Christmas Two-step. 1.20 pm Southern News and Weather. 2.00 Houseparty. 6.00 Day by Day. 6.30 Different Strokes 11.10 Vegas "Christmas Story." 12.05 am Weather Forecast followed by Get The Habit with Sister Clementine.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Princess of Tombosa. 9.55 Puff the Magic Dragon in the Land of Living Lies. 10.20 Cartoon Time. 10.36 Stingray. 11.00 Sesame Street. 1.20 am North East News and Lookaround. 2.30 The Gift. 4.15 Cartoon Time. 6.00 North East News. 6.02 Three Little Words. 6.35 Northern Life. 9.13 North East News. 11.15 The Monte CarloShow 12.00 Christmas Presents to the World

WESTWARD

9.35 am Sesame Street 10.35 The Lost Islands. 11.00 Nova: Einstein. 11.55 The Undersea Adventures of Captain Nemo 12.27 Gus Honeybun's Birthdays. 1.20 pm Westward News Headlines 6.00 Westward Diary. 6.30 Twenty Years of Westward 9.13 Westward News and weather 11.15 That's Hollywood 11.45 Superstar Profile: Liza Minelli 12.10 A Carol for Christmas 12.15 West country weather and Shipping

YORKSHIRE

9.30 am European Folk Tales. 9.40 Santa's Pocket Watch 10.00 The Little Brown Burro. 10.30 The Pied Piper (film). 11.55 Wattoo Wattoo. 1.20 Calendar News. 6.00 Calendar. 11.15 Vegas.

RADIO

RADIO 1

(S) Stereophonic broadcast
‡Medium wave only

5.00 am As Radio 2 7.00 Mike Read 9.00 Simon Bates 11.30 Dave Lee Travis, including 12.30 pm Newsbeat 2.00 Paul Burnett 3.30 Steve Wright 5.00 Peter Powell, including 5.00-5.30 Celebrity Record Race 5.30 Newsbeat. 7.00 Stayin' Alive. 8.00 David Jensen 10.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S) including 6.15 Pause for Thought. 7.30 Terry Wogan (S) including 8.33 Racing Bulletin 8.45 Pause for Thought 10.00 Jimmy Young (S) 12.00 John Dunn (S) including 1.45 pm Sports Desk. 2.00 Ed Stewart (S) including 2.45. 3.45 Sports Desk 4.00 David Hamilton (S) including 4.45 Sports Desk 5.45 News: Sport 6.00 David Symonds (S) 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton (S) 10.00 The Law Game. 10.30 Star Sound. 11.05 Brian Matthew. 12.00 Midnight Newsroom: Weather: Motoring Information. 1.00 am Truckers' Hour (S) 2.00-5.00 You And The Night And The Music (S).

RADIO 3

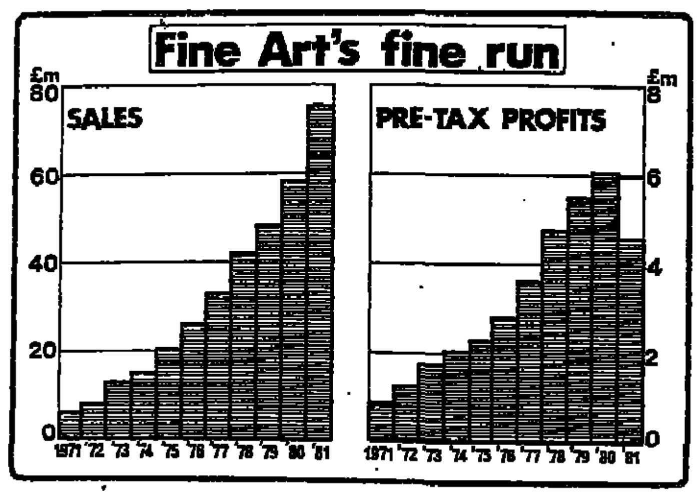
6.55 am Weather 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued) 9.00 News 9.05 This Week's Composer (S) 10.00 Zemlinsky and Brahms (S). 11.00 Telemann (S). 11.40 Northern Sinfonia of England (S) 1.00 pm News 1.05 BBC Lunchtime Concert (S) 2.00 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 French Music for Flute and Piano (S). 5.35 Prokofiev (S). 6.05 Purcell at the Playhouse (S). 7.00 A Story? Perhaps A Vision 7.45 Hindemith Conducting the *New York Philharmonic.* 8.20 Images of Heaven and Hell 8.40 Concert. 9.45 Music In Our Time (S). 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 A Christmas Nocturne (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 Christmas on 4 8.45 John Ebdon. 9.00 News 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service 10.45 Morning Story. 11.00 News 11.05 Down Your Way in Trafalgar Square, London. 11.50 Poetry Please! (S). 12.00 News 12.02 pm You and Yours. 12.27 How to Survive the Office Party (S). 12.55 Weather: Programme News. 1.00 News 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Piano Parlour (S). 4.45 Story Time. 5.00 News magazine. 5.50 Shipping forecast. 5.55 Weather; Programme News 6.00 The Six O'Clock News. 6.30 The News Quiz (S) 7.00 News 7.05 The Archers 7.20 Richard Stilgoe's Christmas Traffic Jam Show (S) 7.45 The Monday Play (S). 9.15 Kaleidoscope Quiz 9.59 Weather. 10.00 The World Tonight: News. 10.30 Science Now. 11.00 A Book at Bedtime 11.15 The Financial World Tonight 11.30 Today in Parliament 12.00 News; weather Report and forecast. 12.15 am-12.23 Shipping forecast: Inshore Waters forecast.

Glad tidings from Accrington

Ian Hamilton Fazey on the dramatic growth of Fine Art, Britain's largest greetings card maker



THE DIE has already been cast for Donald Barnes and his management. Barring last minute scrambles for those who have been embarrassingly forgotten, the great British nation should by now have bought, written, and posted the bulk of its Christmas cards. In post offices throughout the land 145,000 people are trying to get every last one delivered before Christmas day.

The total volume will probably do little better than match last year's. The effect on Fine Art Developments, of which Donald Barnes is managing director, will be felt deep down on the bottom line. For Fine Art is Britain's largest greeting cards manufacturer, and the world's third largest behind the U.S. giants, Hallmark and American Greetings.

Though much of British industry would probably envy the extent to which Fine Art has weathered the recession, that hardly consoles Barnes. By his own high standards he has been stopped short in his tracks. "The trouble is, we have been so used to success that anything less comes as something of a shock," he said a few days ago.

He was at home with 'flu, which hardly helped alleviate his gloom at going into 1982 with a dip in profits. Outside, a low, coldly bright, morning December sun illuminated a winter landscape of Lancashire moorland. In the valley below, a smoke stack testified to the presence of Accrington, where Fine Art has its biggest factory, Joseph Arnold and Company. All it needed was the next day's fall of snow and a hopping robin by a holly bush in the garden to make the scene as pretty as one of his company's products.

The previous week, Fine Art had announced its interim results for 1981-82. For the half-year to September 30 profits declined £115,000 to £0.565m, though turnover at £32.78m was £1.18m up.

Fine Art's half-year figures vividly illustrate the seasonal nature of the business and the crucial effect of Christmas. Last year, for instance, 85 per cent of the £4.63m pre-tax profits were made in the second half.

Barnes says the principal reason why Fine Art's full-year figure will probably not match last year's is the company's inability in a recession to expand turnover faster than the rate of inflation and keep ahead of rising costs.

He is secretive about the size of Fine Art's market share, admitting only to it being "considerable." The greetings card market is about 500m cards a year—or almost 10 per head of population—of which an estimated two-thirds are Christmas cards.

As in all fashion trades, gimmicky designs come and go while the "standards" plod on year after year. Snow, robins and holly remain traditional favourites, although Fine Art keeps all designs up to date via three studios in the group and a host of freelance artists.

Selling for the next Christmas starts on January 1 and the group is strongly represented at the Harrogate Toy Fair each New Year. The group knows early from the wholesale trade which designs are going to be successful, although it never knows how the general public is going to react until the following autumn. The seasonal surge in sales is something that Fine Art has learned to live with, although it has spread both its production and its sales to the trade as much as possible.

To add to the uncertainty, Barnes says that the Christmas uplift, which used to begin in October, was delayed by the recession in 1980, and was even later this year.

Despite living near his Accrington office, Barnes has to travel two days a week to Fine Art's head office in Burton on Trent, where Frank Kerry, the chairman, is based. The arrangement derives from the group's history and the way it was formed about 20 years ago.

Joseph Arnold and Co was started in 1903 by Barnes's grandfather. Young Donald started in 1947 as a general dogsbody "who would be called a management trainee nowadays." In those days the industry was still highly labour-intensive with most cards hand-finished and often requiring binding with thread or ribbons. The company, which had for years supplied much of its output to Woolworth, turned over less than £100,000 a year.

A dozen years later, via a combination of merger, the floating of the Birmingham card manufacturer T. E. Webb, and a reverse takeover, Joseph Arnold, Webb and Frank Kerry's Ivory Cards were formed into Fine Art Developments and a programme began of growth by acquisition. This saw the group joined by companies like Raphael Tuck, bought from the British Printing Corporation, and Collisons of Preston, bought from GUS. Now Fine Art Developments is the holding company for 15 active subsidiaries in as many locations all over Britain.

Kerry and Barnes have been the principal architects of the company's spectacular growth. The various mergers and acquisitions provided a wide base for a total attack on the the greetings card market, with various subsidiaries already strong in retail, wholesale and mail order sectors.

Mail order—including small birthday presents such as ornaments and paper knives as well as cards—has proved to have the biggest sales potential, growing from £400,000 of turnover to £50 million in less than 20 years. Fund raisers and charities use the group's mail order business extensively, with their business accounting for up to 15 per cent of total turnover. Their share of profits goes to their causes.

Barnes says that his fundamental approach has been simple and has worked right up to the recession. "We set a growth target and reach it. We have been growing at 20 per cent compound per year for 20 years," he says.

The effects of this policy became dramatically apparent in the 1970s. In 1971, profits were £0.9m on £6.8m turnover. In 1980, turnover was £58.1m and profits peaked at £6.1m.

The spread of constituent companies and locations has not just been useful in providing the means of attacking markets on all fronts; it has also been critical in developing sound labour relations among the 3,000-odd workforce.

To minimise high dependence on labour, Barnes has pushed continuously towards increasing capital intensification. The group is now on its fourth mainframe computer, having rapidly outgrown the first three, and tries to keep well in the vanguard of electronic advance.

Management accounts and production control have also benefitted from computerisation and the next step will be to streamline the warehouse operation. At present all eight warehouses have to keep all items all of the time.

During the recession, rationalisation has seen about 150 production jobs lost at Wilson Brothers, a West London subsidiary acquired in 1980-81 for £1.6m in cash plus shares, and which added £10.7m in turnover. Wilson's design studios and sales force remain, however. This measure is mild compared with what other companies have had to endure in the past two years. Indeed, what stands to Fine Art's credit is that the buffeting of the economic maelstrom has not prevented the group from expansion and investment at Accrington, where it has just built a new £10m factory to house a workforce of up to 900.

An equally fundamental change has involved the very management structure of the company. Although its shareholdings amount to only about 20 per cent, the main board has remained firmly in the control of the Kerry and Barnes families. Now a two-tier board has been created to ensure managerial succession and provide career progression for professional managers in the group.

Barnes says: "Frank is 68 and I'm 55. You can't go on forever. You have to create a team to ensure the continuation of the company. There's a second generation of family involved but we also had to go outside for people because our rate of growth was too fast to develop enough managers from within.

"It's a big step to bring outsiders onto a family board. We started moving that way five years ago, and it's all gone very smoothly."

Despite the setbacks caused by recession, Barnes is quietly confident about the next few years. He says: "We have a successful formula and are poised to take advantage of any up-turn. Life is full of opportunity if you keep your eyes open and are prepared to take some risks."

Present opportunities appear to be in expansion of mail order and exports. The group already has offices in seven overseas companies, export trade was at nearly £5m in 1980 and grew 20 per cent in 1980-81, with design and licensing as important as direct sales of cards.

Barnes will not be drawn on exact plans, only on general modus operandi. He says: "You have got to grow each year, but keep things within your capacity to manage and finance them. You don't want to, say, treble overnight. You want to keep control of the situation and set your target to beat inflation. And at the end of the day, there's no substitute whatever for hard work."

Seasonal economics: Christmas accounts for two-thirds of Britain's greetings card market, and last year over three quarters of Fine Art's profits were made in the second half

Teaching for the teacher's benefit

ALAN MUMFORD is one of a growing number of personnel managers who is highly critical of UK business schools. He believes that the people who design management courses are more interested in their own needs than those of the student. He also believes any benefit a student might gain would be minimal.

As executive resources adviser to the Chloride Group, he uses British business schools as a source of training for the company's management development programmes.

"Attempts to help managers learn have too often been geared more to the interests of the helper than to the needs of those being helped," he told a recent London conference*—grandly called the First World Congress on Management Development.

What has been called "the inveterate hankering of the teacher to be the centre of attraction" has often been a large element in the course, he added. "Not enough attention has been given to the factors which make a particular approach to learning more or less appropriate to the individual concerned."

"The problem," he said, "is not so much that there has been a search for the Holy Grail of management learning appropriate to everybody, but that every now and again someone thinks he has found it. Over the years we have seen, for example, the rise in the case method in management education—T-Groups, Self-Development and Action Learning. Each has had vigorous, not to say obsessed, proponents. Perhaps it is a necessary feature of innovators that they see the virtues of their own innovation without seeing the circumstances in which that innovation may be more or less efficient and effective.

"With the possible exception of the self-development movement, too often these processes have been pressed as being both uniquely appropriate as management development methods and yet wholly generalisable in the sense that only through following this method will true management development be achieved."

Mumford said there was a need to improve learning productivity by making more effective use of improved design and methods.

His opinion of the content of courses was that the realities of managerial life had very little to do with text book descriptions of what managers should do. "The reality of that life is that it tends in practice to be hectic, disconnected and highly active rather than reflective, analytical and methodical."

He said that "most learning for most managers most of the time occurs from the process of doing a job; equally, for most managers most of the time, learning is rarely identified beforehand as an opportunity and only slightly more frequently identified afterwards as something that happened."

Describing courses as usually highly intellectual or experimental, he added: "The contribution of courses is relatively tiny; they are given greater significance in management development partly because those who run courses are frequently prepared to write about them."

Details of the proceedings of the conference, which was privately sponsored in conjunction with MCB Publications, are available from First World Congress of Management Development, 2, Duke St, Bedford. Price £19.60 plus £3.25 p and p.

Arnold Kransdorff

CONTRACTS AND TENDERS

SHIPBUILDING

CONTRACT PREQUALIFICATION

SEMI-REFRIDGERATED LIQUID AMMONIA/LPG CARRIER

5,500 cubic meter semi-refrigerated liquid ammonia / LPG carrier (102 m x 11.75 m x 16 m x 6.2 m approximate principal dimensions and draft).

P. T. Pupik Sriwidjaja (PUSRI), a company which produces fertiliser and which is owned by the Government of Indonesia, has applied for a loan from the International Bank for Reconstruction and Development (IBRD) to finance all or part of the non-Indonesian currency cost to add to its fleet of vessels a liquid semi-refrigerated ammonia/LPG carrier.

One vessel will be required in the first quarter of 1984 or earlier an option for a second, duplicate vessel, will also be requested for delivery at a date to be determined later. Earlier delivery of the first vessel will be accepted and is preferable. Bids will be solicited in early March 1982 on the basis of one or two vessels, the first of which is to be delivered within the time noted. Only shipyards in IBRD member countries, Switzerland and Taiwan are invited to prequalify for a contract to be awarded, probably in August 1982 under IBRD procurement guidelines if the ship is financed by IBRD payments under the contract to be made in the currency of the country from which goods or ships are accepted.

The following material is required for prequalification:

1. Evidence of financial viability which should include financial statements for the current and previous year in adequate detail to make such an assessment.
2. Identification and description of facilities where the ships would be built.
3. Evidence that a number of ships of similar size and complexity have been engineered and built by the yard requesting prequalification.
4. Schedule information that will verify the yard's ability to meet the delivery date.
5. Approximate size and composition of the yard's engineering and planning staff.
6. The method by which the yard will idemnify PUSRI against major failures in the vessel's performance or catastrophic loss resulting from the builder's negligence or errors.
7. Names, addresses and telex numbers of four companies to which deliveries have been made.

Within the context of the guidelines for the procurement of the IBRD, PUSRI desires to select a technically capable as well as a financially viable shipyard and will favourably consider in its prequalification analysis, an engineering staff and yard with prior experience on this type of vessel. The weight assigned to these and other factors during the evalution of tenders will be specified in the invitation to bid.

Since the IBRD may not finance all of the foreign costs, yards seeking to prequalify are encouraged to submit with their prequalification data of export credits availability that could be offered for the financing of such shipbuilding with its indicated terms and conditions, such as interest rate, grace period, repayment period, the amount available, and any other financial charges or fees if any. Such financial offer is to be supported by the export credit agency or any lender or bank as its agent concerned which is prepared to finance the construction on the terms indicated. The Government of Indonesia prefers the credit to be in the form of buyer's credit in which the borrower will be the Republic of Indonesia acting through its Minister of Finance.

PUSRI reserves the right to avail itself of all, or part, or none of the credit proposed.

The above information in 4 (four) copies must be received by January 30, 1982 at the following address in order to enable PUSRI to issue the invitations to bid in early March 1982:

Pt. Pupuk Sriwidjaja
Jl. Taman Anggrek, Kemanggisan Jaya
PO Box 2371
Jakarta, Indonesia
Attn: Kotan Pasaman/Amir Sayat
Telex Nos: (796) 44460; (796) 44249
Telephone: 541208
Cable Address: Pusri Jakarta

Duplicates are to be sent to the following:

Marine Consultants and Designers Inc.
601 Rockwell Avenue R.M. 308
Cleveland, Ohio 44114, USA
Attn: G. H. Plude
Telex: 98-5587
Telephone: (216) 781-9070
Cable: Midship, Cleveland, Ohio

All correspondence should be in Indonesian or English to the first address, and in English to the second address, PUSRI reserves the right to verify all statements and to withhold prequalification from any shipyard without explanation.

P. T. PUPUK SRIWIDAJA

KUWAIT INTERNATIONAL FAIR CO.(S.A.K)

invites consulting firms specialized in international fairs to present their pre-qualification for the preparation of a feasibility study incorporating a Master Plan of the company's land (area 700,000 sq. metres) covering all facilities associated with the holding of international exhibitions.

Firms are required to submit a list of projects executed in this field.

Replies should be addressed to:

Kuwait International Fair Company (S.A.K.)
P.O. Box 656, Safat, Kuwait
Telex: 23540 IMFAIR KT.

COMPANY NOTICES

Notice to Holders of European Depositary Receipts (EDRs) in AJINOMOTO CO., INC.

EDR holders are informed that Ajinomoto Co., Inc. has paid a dividend to holders of record September 30 1981. The interim cash dividend payable is Yen 5.00 per Common Stock of Yen 50.00 per share. Pursuant to Clause 8 of the Deposit Agreement the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 1 for payment to the undermentioned agents.

Payment of the divicend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows-

Arab Republic of Egypt	France	Romania
Australia	Hungary	Singapore
Belgium	Ireland	Spain
Brazil	Italy	Sweden
Canada	Malaysia	Switzerland
Czechoslovakia	The Netherlands	United Kingdom
Denmark	New Zealand	United States of America
Federal Republic of Germany	Norway	Zambia
Finland	Republic of Korea	

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any divid nds unclaimed after April 30, 1982.

Amounts payable in respect of current dividends:—

Coupon No. 1 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	U.S.$227.27	U.S.$193.18	U.S.$181.82

Depositary: Citibank, N.A. 336 Strand, London, WC2R 1HB

Agent: Citibank (Luxembourg) S.A., 16 Avenue Marie Therese

We are also pleased to confirm that copies of the Interim Report for the 104th Business Term of Ajinomoto Co., Inc. are now available to EDR holders upon request at the offices of the above-mentioned Depositary and Agent.

December 21, 1981.

LEGAL NOTICES

No. 003997 of 1981
IN THE HIGH COURT OF JUSTICE
Chancery Division Companies Court
IN THE MATTER OF.
BRITANNIA ARROW HOLDINGS LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated the 16th day of December 1981 confirming the cancellation of the share premium account of the above-named Company was registered by the Registrar of Companies on the 18th December 1981.

Dated 21st December 1981.

CLIFFORD-TURNER
Blackfriars House
19 New Bridge Street,
London EC4V 6BY.
Solicitors for the Company.

NOTICE TO HOLDERS OF IBM WORLD TRADE CORPORATION 14½% Notes due July 15, 1984

NOTICE IS HEREBY GIVEN that a copy of the Annual Report of IBM World Trade Corporation, for the year ended December 31, 1980 is available for inspection by the holders of the Notes at the Corporate Trust Office of The Chase Manhattan Bank (National Association), Woolgate House, Coleman Street, London EC2P 2HD, England.

By: IBM WORLD TRADE CORPORATION

NOTICE TO HOLDERS OF IBM WORLD TRADE CORPORATION 12½% Notes due February 1, 1988

NOTICE IS HEREBY GIVEN that a copy of the Annual Report of IBM World Trade Corporation, for the year ended December 31, 1980 is available for inspection by the holders of the Notes at Manhattan Bank (National Association), the Corporate Trust Office of The Chase Woolgate House, Coleman Street, London EC2P 2HD, England.

By: IBM WORLD TRADE CORPORATION

CLUBS

COMPANY NOTICES

CanadianPacificEnterprisesLimited

DIVIDEND NOTICE

The Board of Directors of Canadian Pacific Enterprises Limited, at a meeting held at Montreal, Quebec, on the 4th day of December, 1981, resolved that a final quarterly dividend of twenty-eight cents (28c) Canadian per share on the outstanding Common Shares of the Corporation be and the same is hereby declared in respect of the year 1981, payable on January 21, 1982 to shareholders of record at the close of business on December 31, 1981.

By order of the board,

G.S. MacLean,
General Manager, Administration and Corporate Secretary.

Montreal, Quebec, December 4th, 1981.

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a balance of the register will be struck on Monday, 4th January, 1982, for the preparation of the half-yearly dividend payable on The Second Preference Shares, for the six months ended 31st January, 1982. The dividend will be paid on 1st February, 1982.

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Limited, Registrar's Department, Goring-by-Sea, Worthing, West Sussex, not later than 3.00 p.m. on Monday, 4th January, 1982.

By Order of the Board
G. J. OKELL
Secretary

Shell Centre,
London, SE1 7NA.
21st December, 1981

NOTICE TO THE BONDHOLDERS (6½% CONVERTIBLE, GUARANTEED, 1989) OF ASIA NAVIGATION INTERNATIONAL LIMITED, BERMUDA

NOTICE IS HEREBY GIVEN that the Register of Members of World International (Holdings) Limited, 21st Floor, Prince's Building, Hong Kong, will be closed from 6th January to 15th January, 1982, both days inclusive, during which period the 6½% Convertible Guaranteed Bonds 1989 issued by Asia Navigation International Limited, Bermuda, on 6th March, 1974 will not be convertible into fully paid Registered Ordinary Shares of World International (Holdings) Limited.

By Order of the Board
WORLD-WIDE SECRETARIES LIMITED
Secretaries

21st December, 1981.

TAKEDA CHEMICAL INDUSTRIES LIMITED BEARER DEPOSITARY RECEIPTS REPRESENTING SHARES OF TAKEDA CHEMICAL INDUSTRIES LIMITED

Takeda Chemical Industries Limited has declared a dividend of Yen 3.75 equivalent to Yen 37.50 per Depositary share. The Depositary will pay the equivalent proceeds in U.S. Dollars less taxes as applicable against presentation of Coupon No. 40.

Coupons will be accepted on and after 17th December 1981 and must be lodged three clear days prior to the payment.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

P.O. Box 161,
Morgan House,
1 Angel Court,
London EC2R 7AE.

URUGUAY 5% CONVERSION GOLD LOAN 1905 AND URUGUAY 5% PUBLIC WORKS LOAN 1909

Williams & Glyn's Bank Limited hereby give notice that they have received instructions from the Banque de Paris et des Pays-Bas S.A. Paris to pay to the extent of the funds which may be provided for the purpose coupons of the above loans due 1st January 1982 in sterling at the rate of £0.175 per unit coupon. This represents interest at 3½% in accordance with the terms of the offer of the Uruguayan Government dated 3rd January, 1939.

NOTICE TO HOLDERS OF IBM WORLD TRADE CORPORATION 14⅛% Notes due July 30, 1985

NOTICE IS HEREBY GIVEN that a copy of the Annual Report of IBM World Trade Corporation, for the year ended December 31, 1980 is available for inspection by the holders of the Notes at the Corporate Trust Office of The Chase Manhattan Bank (National Association), Woolgate House, Coleman Street, London EC2P 2HD, England.

By: IBM WORLD TRADE CORPORATION

OMRON TATEISI ELECTRONICS CO.

Advice has been received from Tokyo that payment of a Cash Dividend of Yen 5.00 per share has been made for the six months period ended 30th September 1981.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to $0.1142 per Depositary share before deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupons.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to deduction of Japanese Withholding Tax at the reduced rate of fifteen per cent, will receive a net dividend of $0.0971 per Depositary share after deduction of Withholding Tax amounting to $0.0171:

Australia, Belgium, Canada, Denmark, Finland, France, The Federal Republic of Germany, Italy, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, The United States of America.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are subject to deduction of Japanese Withholding Tax at the full rate of twenty per cent will receive a net dividend of $0.0914 per Depositary share, after deduction of Withholding Tax amounting to $0.0228.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax at the reduced rate of twelve per cent, will receive a net dividend of $0.1005 per Depositary share after deduction of Withhholding Tax amounting to $0.0137.

TO OBTAIN PAYMENT UNDER DEDUCTION OF JAPANESE WITHHOLDING TAX AT A REDUCED RATE, THE COUPONS MUST BE ACCOMPANIED BY AN AFFIDAVIT OF RESIDENCE APPROVED BY THE JAPANESE MINISTRY OF FINANCE. FORMS OF AFFIDAVIT ARE AVAILABLE AT ANY OF THE OFFICES LISTED BELOW. IN THE ABSENCE OF SUCH AFFIDAVIT COUPONS WILL BE PAID UNDER DEDUCTION OF WITHHOLDING TAX AT THE FULL RATE OF TWENTY PER CENT.

Attention is drawn to the fact that the aforementioned concessions relating to Japanese Withholding Tax apply only to coupons presented for payment within five months of the record date i.e. 30th September 1981. Thereafter, tax will be deducted at the full rate of twenty per cent and it will be the responsibility of the owner to claim from the Japanese Tax Authorities any refund to which he is entitled.

HOLDERS OF BEARER DEPOSITARY RECEIPTS (B.D.R.'S) wishing to claim this dividend should present Coupon No. 33 at the Offices of any of the following:—

HILL SAMUEL & CO. LTD., 45 BEECH STREET, LONDON EC2P 2LX. (where lodgement forms are available).
KREDIETBANK S.A. LUXEMBOURGEOISE, 43 BOULEVARD ROYALE, LUXEMBOURG.
BANK OF TOKYO LIMITED, 4-8 RUE SAINTE-ANNE PARIS 1, FRANCE.
BANK OF TOKYO LIMITED, DUSSELDORF, SCHADOWPLATZ 12, FEDERAL REPUBLIC OF GERMANY.
BANK OF TOKYO LIMITED, AVENUE DES ARTS 47/48, 1040 BRUSSELS, BELGIUM.
BANK OF TOKYO LIMITED, SUTHERLAND HOUSE, 3 CHATER ROAD, HONG KONG.
BANK OF TOKYO TRUST CO., 100 BROADWAY, NEW YORK, U.S.A.

IN THE CASE OF COUPONS PRESENTED FOR PAYMENT IN LONDON, United Kingdom Tax will be deducted from the proceeds unless accompanied by an Inland Revenue Affidavit of Non-Residence.

HILL SAMUEL & CO. LTD.,
46 Beech Street, London EC2P 2LX.

THE ARTS

Bush

Still crazy after all these years

One of the few identifiable growth areas of the fringe theatre over the past decade has been that of improvised playscripts. Young actors have brought their own experience to bear in a way that has often seemed to elude the processes by which young dramatists do it for them. The field has been led by Mike Leigh's Hampstead Productions and the Hull Truck Company, a group founded 10 years ago by Mike Bradwell that has been consistently funny and perceptive about the experience of students, the loss of political idealism and the phenomenon of community living among young teaching and media professionals flirting with corporate institutions while abiding by the social rituals of pot-smoking, beer-swilling, and bed-hopping.

Music, too, is a key element in both performance and discussion. This show—Mike Bradwell's last before diving off another, as yet unknown, high board—has a doubly appropriate title: it is taken from a song of Paul Simon and reflects the sense of tacky confusion that bedevils this particular post-1968 generation.

Straightaway I had better say that it is by no means the best of Hull Truck. But the process of making this type of theatre is always liable to backfire. Thus the dialogue in Nick and Libby's NW1 basement living area (beatifully designed by Geoff Rose) is curiously stilted and soporific when the idea, presumably, was to come up with something devastatingly accurate and naturalistic. Nick is 33 and preparing a programme for a BBC arts outlet on the New Music. When confronted with a reptilian spokesman for this horrid robot rubbish, he calmly makes a point by playing Dylan on the hi-fi. Van Morrison is about as far as he is willing to commit himself. Libby is listless and dissatisfied. They have a two-year-old son, Barnaby, and an insufferable French friend, Maddie, who is very excited about going off to Andrew Logan's Alternative Miss World Contest.

Despite all the shortcomings of the final result, however, the themes raised in the play are interesting and wonderfully recognisable. When offered a joint, the robot man Alex Tyle declares that smoking is about as contemporary as Del Shannon. What do they all want from life? Nick wants to write a brilliant screenplay, Maddie wants to be "where it's at," Alex wants to be rich and famous, and Libby does not know.

Roger Davidson and Thirzie Robinson convey best the awful dilemma of trendy participation overtaken by safe domesticity, while the outsiders—Helen Cooper and Jonathan Kydd—supply loads of acutely observed detail but very little outline. One feels now that the future for this sort of work is really on film or television—as theatre it lacks gesture, form and outsize possibilities. The incidental pleasures are best: the embarrassment of entering or leaving a room, the discomfort of an adulterous grope on the sofa littered with cuddly toys.

*

A brief word of undiluted recommendation for Michael Bogdanov's adaptation and stunningly inventive direction of Longfellow's *Hiawatha*, returning to the NT's Olivier auditorium for a Christmas season

MICHAEL COVENEY

Coliseum

Der Rosenkavalier

Over the festive season English National Opera is offering two brands of Viennese froth. *Die Fledermaus* will be served up on New Year's Eve, but *Der Rosenkavalier* has already re-entered the repertory conducted by Charles Mackerras. John Copley's production is now almost seven years old. On its own terms, it promises to wear well. Sets and costumes are uncontroversial and easy on the eye, the stage business is unfussy and can be crisply revived. On Wednesday a stiffness in parts of the first act were soon overcome, and the company then settled down to the bluff heartiness that characterises this production.

Yet for this listener at least a staging of this opera above all needs something special to commend it—would that one of those much villified East German producers be persuaded to tackle it! If instead of a heart Richard Strauss really did have "a pool of sentimentality" (Hans Keller's phrase), it was a pool of extensive shallows and sudden depths. There is precious little hint of those depths in *Der Rosenkavalier*, but a perspicacious production ought to be able to seek out those there are. Perhaps the finest shades of nuance are always likely to disappear after repeated revivals, but as now presented Copley's approach does not attempt to differentiate the real from the counterfeit. Everything receives its proscribed coating of syrup.

Mackerras' conducting often emphasises this sweetness. The music is kept moving at all times, but not without its moments of indulgence. More bite and point are provided by some of the singers. Richard Van Allan's familiar Ochs does much to alleviate the tiresome banter of the first act and functions at a securely timed centre for the most effective comic moments. The Octavian of Sally Burgess, new to the production, is a delightful assumption, purposeful and elegant, never overshadowed by Mr Van Allan at the beginning of the third act. It is from Miss Burgess's even, glowing voice that the ensembles draw their warmth. Laureen Livingstone's brittle, fairy-tale Sophie was stated to be suffering from a cold and perhaps as a result left some passages in the third act sketchy; *Lois McDonall's* Marschallin looks beautiful in the traditional concept of the role, but is content to remain strictly on the surface of the part and draws her vocal lines with impersonal clarity.

Yet with more than adequate support in the smaller parts this is an accomplished revival. There must be a special word for Graham Clark's Italian Tenor, cutting through the candyfloats with a tone like a foghorn. Here at least Strauss knew he was writing pastiche. Elsewhere the pretence of authentic emotions easily becomes distasteful and makes for an unpleasant experience. Those who like this opera, however, can be confident of a rewarding evening.

ANDREW CLEMENTS

Who should look after the oldest stones at Stonehenge?

Architecture

The heritage business

by COLIN AMERY

Christmas is as good an opportunity as any to do a little fireside reading. Anyone who cares at all for architecture would be well advised to read and consider the implications of a very slim and expensive document that was recently published by Her Majesty's Stationery Office for the Department of the Environment. It is a consultation document which contains the proposals of Mr Michael Heseltine, Secretary of State for the Environment, for the organisation of Ancient Monuments and Historic Buildings in England.

I think that Mr Heseltine cares about the great heritage of buildings and ancient stones that makes up the cultural fabric of the country. I believe that his instinct is right as expressed in this document to want to free the bodies that run and look after the past from the shackles of the Civil Service. He wants to create an agency at arm's length from the Government. There are already bodies like the Nature Conservancy and the Sports Council that are run on similar lines and they have benefited from a measure of independence that removal from Whitehall can bring.

What are the present arrangements for looking after the heritage? About £36m of Government funds are spent each year on historic buildings and ancient monuments in England. The Secretary of State *for the Environment* is responsible for listing buildings of special architectural and historic interest and for scheduling ancient monuments.

His powers have meant that there are now some 275,000 listed buildings and 12,500 scheduled monuments, all in theory protected from demolition and unsuitable alteration. Grants to the owners of listed buildings last year totalled £13m. About 1,000 people are employed by the Department of the Environment working in the field of historic buildings and ancient monuments.

There are three major bodies involved in this field. The oldest is The Royal Commission on Historical Monuments for England which was set up in 1908 in order to compile an inventory of historical monuments in England and to recommend which should be preserved. In the 73 years of its life its geographical coverage of the country leaves a great deal to be desired. The staff of nearly 100 have to date published 42 scholarly volumes which are actual Inventories as well as other works. The publications reach a high standard but are not widely distributed or read. One of the Commission's most important and efficiently carried out tasks is the running of the National Monuments Record. This is in Fortress House in Savile Row and, county by county, parish by parish, has a photographic record of buildings and monuments. A most agreeable day can be had researching in those rows and rows of cardboard file boxes and the staff are unfailingly helpful. The current chairman of the 15-man Royal Commisssion is the Rt Hon Lord Adeane.

The second body is the Ancient Monuments Board for England, which was founded in 1913 as an advisory body of 18 members currently under the chairmanship of Sir Arthur Drew, which meets regularly to advise the Secretary of State in all the areas of his duties that are concerned with archeological work and ancient monuments. The most recent member of the trio is the Historic Buildings Council for England.

It was set up in 1953 to advise on the distribution of grants to owners of listed buildings. The Council consists of 20 of the wise and good in the world of architectural history and has an extremely effective chairman Mrs Jennifer Jenkins. The Council is the one area of the Ancient Monument business that has direct dealings with the public and it has not been afraid of controversy over listing of buildings and has not been uncritical of Government.

Mr Heseltine would like to transfer all the work done by these bodies and the work done by the thousand or so civil servants in the Department of the Environment in these fields to a new agency that will have a board and a chairman, funded probably by an annual grant-in-aid, with provision for the agency to be able to raise funds privately. A very important part of the new agency's work would be concerned with the "entrepreneurial" side of the heritage business. A management team would be set up to run the monuments with an eye to the tourist trade and what are called "commercial, promotional and tourist fields."

Under this new scheme it is perfectly possible that all the so-called commercial operations at Stonehenge and Hampton Court, for example, would be available to anyone tendering on a commercial basis. The danger of the lavender bag souvenir syndrome taking over is a real one. It is already impossible to visit most National Trust properties without being assaulted by the all-pervading smell of pot-pourri from their chain stores. The value of the heritage is much more an educational one than a commercial one. It will never be possible for any agency to be financially self-sufficient in this field. There are areas of life where an elected Government that raises large sums in taxes has cultural duties that should not be shirked.

Looking after the past is a subtle and sensitive business. Mr Heseltine has asked for comment and help before any new legislation is introduced. Changes are needed and all the amenity bodies and interested individuals should respond to the request—our own past is *too important to be left to commerce or politicians.*

Museum closures

The following museums and galleries will be closed on December 24, 25, 26 and 27 and January 1. The British Museum, National Gallery, National Portrait Gallery, Victoria and Albert, Tate, Bethnal Green, Geffrye, Geological, Ham House, Hayward Gallery, Imperial War Museum, Museum of London, Museum of Mankind, National Army Museum, Natural History Museum, Osterly House, RAF Museum, Science Museum, Wellington Museum. The Royal Academy will be closed between December 21-27, the ICA from December 24-27, the Serpentine Gallery from December 24-28.

Elizabeth Hall

Kagel at 50

by DOMINIC GILL

The Argentinian-born German composer Maurizio Kagel is one of the strangest major figures of contemporary European music. No label fits him neatly, least of all (without special qualification) the traditional label of "composer." He is at once music-maker and theorist, philosopher and teacher, humorist and elaborate dadaist—best known for his public experiments in the ambiguous field that lies somewhere between "pure theatre" and "pure music."

England has never taken Kagel very closely to its heart—perhaps chiefly because it has been denied the opportunity to hear, and especially to see, the major part of his best and most characteristic work. The two big "operas," *Die Erschöpfung der Welt* and *Aus Deutscheland* are probably too expensive to mount; but none of the dozen or so important smaller-scale theatre-pieces since 1973, and very few of the instrumental works, have found their way this side of the channel. In England, Kagel's reputation rests largely on the odd short instrumental piece included from time to time in an enterprising chamber programme, but more often than not incorrectly and unimaginatively prepared and badly played.

There have been some notable exceptions. Lina Lalandi's English Bach Festival, in its old trail-blazing days, was one; and the London Sinfonietta, uniquely committed among all British ensembles to searching out the best and most interesting of the new, has consistently been another. Could we have relied on any other group in these pinched and penny-pinching times to show the imagination and courage to mark Kagel's 50th birthday, as the Sinfonietta did last Thursday night, with a concert in his honour?

The composer conducted. The programme, except for one extraordinary *coup de théâtre*, was purely instrumental. *Kontra-Danse*, subtitled "Ballet music for seven players," has strong theatrical elements in its original form as part of the zany, exuberant *Staatstheater* collection; here, as a freely scored, semi-improvised concert piece, in which only the gestures and the synchronisations, not the pitches, are prescribed, it has a gentler and also a more musically engaging effect—a quick, precise responsorial ritual of almost perfect equality in which no single instrument is dominant.

I have never found that Kagel's *1898*, composed in 1973 for the 75th anniversary of Deutsche Grammophon, makes as strong an impression in the concert hall as it does on the original record. The grave beauty of the scoring seems to be best appreciated, close up, though loudspeakers; and the unusual circumstance of the work's genesis—most especially the photograph which was its catalyst—were inexplicably left out of our programme note. Some link was missing.

The little group of *Ten Marches to Miss the Victory* for windband and percussion is likewise intimately bound to a *Hörspiel* called *Der Tribun*—incidental music to a radio play that is itself a quintessential bittersweet Kagelesque joke.

The evening's new work was *Finale* for 15 instruments composed especially for the birthday occasion. Erich Kleiber, Kagel tells us, used to say thata he wished he could be conducting the scherzo from Mendelssohn's *Midsummer Night's Dream* music at the moment of his death. He was merely undecided as to the exact point in the score at which Fate should overtake him. The sound-world of Kagel's *Finale* seems to encompass, in a ghostly embrace, almost every kind of Western music from 1800—or is it 1900 or 1931?—to the present day: a wild, expressionistic sequence of passing scenes, Hammerfilm, Ballade, symphonic poem, circus act. During the last third of the score, the finale of *Finale*, the composer-conductor lies in a crumpled heap motionless on the stage. Defeat or victory? The *Dies Irae* is picked out in single bass notes by the pianist: triumphant birthday dirge.

Guildhall School

BBC College Concert

by ANDREW CLEMENTS

An uncommonly interesting programme for the last of the 1981 College Concerts, its attraction marred only by the unforgivable clash with the London Sinfonietta's Kagel programme on the South Bank. Could these things not be better arranged? The BBC Symphony Orchestra was conducted by Diego Masson in Boulez, Shnitke and Goehr the first British performance of Schnitke's third violin concerto and the London premier of Goehr's *Deux Etudes* for orchestra.

Boulez's music has run through the series so far this season, and wil carry over into the New Year. Last night Masson conducted *Rituel*, that hieratic memorial to Bruno Maderna which sounded like a complete stylistic *volte face* at its first performance in 1975 but which has come to seem more and more characteristic of the composer of *Pli selon pli* with subsequent hearings. On this occasion though it was defeated by the acoustics of the *Guildhall School's Music Hall*. The BBC persist in using it for College Concerts so the broadcast result must be adequate, but in the hall itself textures are impossible to disentangle, brass and loud woodwind are difficult to control and strings gain no warmth. *Rituel* too often dissolved into a welter of percussion; the eight ensembles could hardly be differentiated, and the entry of brass invariably swamped everything.

The spare scoring of Schnitke's concerto — predominantly single wind and string quintet — fared rather better. Having written harsh words on Shnitke's music here previously it is good to have one's scepticism at least partially confounded. This concerto is lucid, moving and totally individual. It is a memorial work in line of descent from Berg's concerto (there are fleeting echoes of the Bach chorale used by Berg) and equally generous in its treatment of the solo instrument, played here by Erich Gruenberg. There is a central fastish scherzo which dissolves into carefully circumscribed aleatoricism at its close, a slowly moving, lyrical first movement and a haunting finale, which makes much use *of a melody that hovers on the* brink of familiarity (is it Schubert or Schumann?). There is the characteristic Shnitke play with tonality, with soured harmonies, and the fondness for simple lyrical shapes. But here all these strands are gathered into a single, coherent whole of considerable expressive weight.

Goehr's pair of studies, modest titles for two orchestral pieces each lasting around 10 minutes, likewise encourage a renewal of faith in a composer whose austerity in recent works has sometimes been difficult to condone. Here is a return to rich orchestration, to glistening textures and thrilling instrumental writing. Goehr refers to them as studies in "orchestral composition" rather than orchestration, exploring the ways in which orchestral writing can develop musical ideas through texture and colour; they make up a fascinating experience. The sound, some Ligeti-like terraces in the first study aside, is Germanic, Schoenbergian, but now with an open tolerance of sweet romantic gestures. There is more than a flavour also of Hanns Eisler, with whom Goehr studied; in the second piece especially, which begins as a *Brucknerian scherzo* and gradually expands and proliferates. The full impact of the writing could only be approximately gauged; the hall itself and some brusque, unhelpful playing spoilt many effects.

Arts Council photographs moved

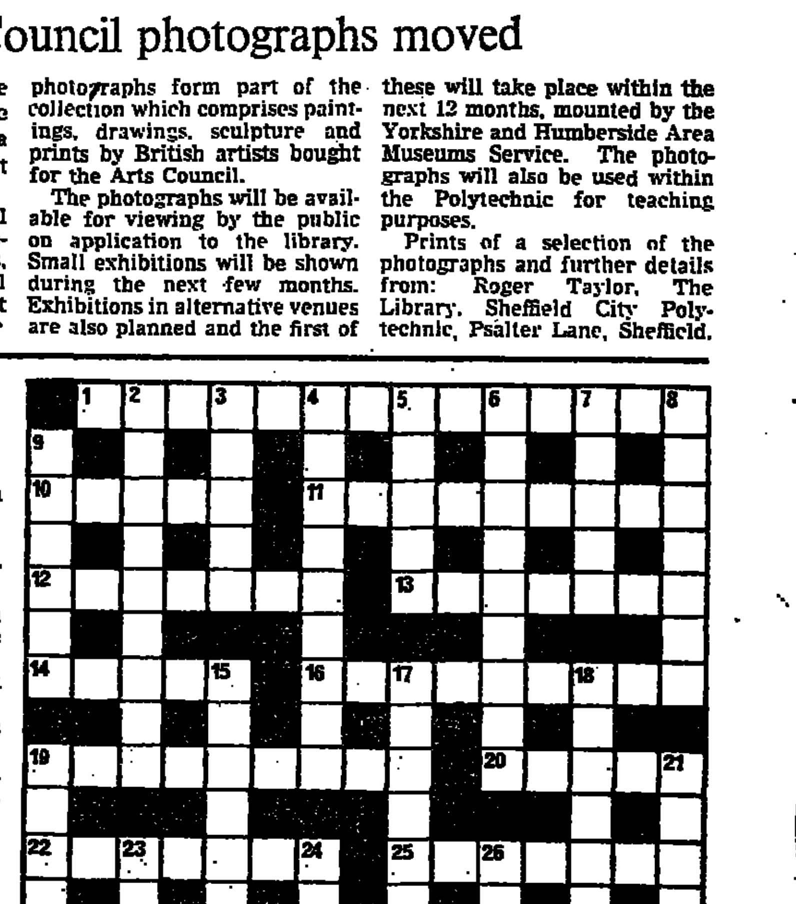
Most of the photographs in the Arts Council Collection have now been loaned, initially for a five year period, to the library at Sheffield City Polytechnic.

Since 1973 the Arts Council has purchased over 1,500 photographs by 164 photographers, including the work of Bill Brandt, Raymond Moore, Bert Hardy and Fay Godwin. The photographs form part of the collection which comprises paintings, drawings, sculpture and prints by British artists bought for the Arts Council.

The photographs will be available for viewing by the public on application to the library. Small exhibitions will be shown during the next few months. Exhibitions in alternative venues are also planned and the first of these will take place within the next 12 months, mounted by the Yorkshire and Humberside Area Museums Service. The photographs will also be used within the Polytechnic for teaching purposes.

Prints of a selection of the photographs and further details from: Roger Taylor, The Library, Sheffield City Polytechnic, Psalter Lane, Sheffield.

F.T. CROSSWORD PUZZLE No. 4,755



ACROSS

1 Intense neurosis created by the weather (4, 10)
10 One sense of direction in gallery (5)
11 Make fun of people in French and tackle (9)
12 Component part that cannot be resolved (7)
13 One who succeeds her with it alternatively (7)
14 Two mothers joining another woman (5)
16 Beyond control immediately (3, 2, 4)
19 Original clothing the driver gets into (5, 4)
20 Skin copper and sit back (5)
22 Quack known only by experience (7)
25 Trade in lots of vehicles (7)
27 Showy source of flowers used by photographers (5-4)
28 Shakespeare's playwright? It could be rasher! (5)
29 Titled female of the lake—having only one supporter? (4, 10)

DOWN

2 Cockney has to finish in time for eggs (4-5)
3 Gun a man on board (5)
4 Choose baton and note for a conductor (9)
5 A crude preliminary sketch that club swingers don't like to get into (5)
6 So if I crop this mixture it could be sleep-inducing (9)
7 Unfit in start of exercises and physical training (5)
8 Having a certain disposition that could be good or bad (7)
9 Rise initially in water vapour from rivulet (6)
15 Dr Hill's method in vehicular exhibition (5, 4)
17 Equipment needed to track a record—belonging to BR (9)
18 A crafty trick right for a mechanic (9)
19 Peevish as a jigsaw puzzle, may be? (7)
21 A short time for one in a corner (6)
23 Part of Highland dress softly designed (5)
24 Church vessel to turn over persistently (5)
26 A collection of records from local bumpkin (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday, January 2.

FINANCIAL TIMES

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Monday December 21 1981

Acid test in Turkey

TURKEY and its military regime is one of the many issues where the U.S. and its main European allies in Nato do not see eye to eye. Mr Casper Weinberger, the American Defence Secretary, has stated that General Kenan Evren's regime is embarked upon a course that will restore democracy.

The Europeans, with the Germans in the lead, are not so sure and take a view less determined by considerations of strategic expediency alone. Britain, as holder of the EEC presidency this year, has told Ankara that the jailing of Mr Bulent Ecevit, the former Prime Minister, will make it harder to find the economic aid which Turkey so badly needs. Herr Hans-Dietrich Genscher, the West German Foreign Minister, said much the same during a chilly visit to Ankara.

In concrete terms the U.S. remains committed to giving $400m in military aid to the Turks next year, plus another $300m as part of OECD aid to Turkey. At least some doubts surround the European contribution to the OECD package of altogether $960m, let alone the $1bn which Turkey wants for 1983. A five-year programme for the EEC to give ECU 600m (about $320m) has been put on ice.

Uncertainties

What worries the Europeans is not so much the military coup which put an end to a tattered Turkish democracy in September 1981 as the uncertainties surrounding the promises of the military regime to restore democratic rule. Matters were exacerbated by the jailing of Mr Ecevit, the closure of political parties and the seizure of their assets, as well as evidence of the torture of political prisoners. The intention to try for their lives 50 left-wing trade union leaders, beginning on December 24, has also aroused qualms.

Distasteful though much of this is, no argument is possible that conditions have improved since the military took over. Before the coup, sectarian strife and conflicts between terrorists of the Left and Right were taking 20 lives a day. Now terrorism has been all but suppressed. The economy is markedly improved, poor though its condition still is. The inflation rate has declined from 100 per cent last year to 40 per cent; the current account deficit has been reduced from $3bn last year to around $2.2bn.

Much of the credit belongs to the more open economic policies gradually introduced by Mr Turgut Ozal, who is in charge of economic policy. His appointment pre-dates the coup, but it is improbable that he could have been successful under the conditions then prevailing, with a hamstrung parliament and chaos in the streets.

Nobody in their right mind would wish to return to those conditions. Turkey was bleeding to death. World opinion was ready to give the generals the benefit of the doubt when they said that they wished to restore order and then hand over power to democratic institutions. They still are entitled to that understanding.

Snag

The snag has been that there was no timetable given. Now there is reason to believe that General Evren will announce such a timetable at the turn of the year: all going well, elections may be held in 1983 on the strength of a constitution now being drafted by a consultative assembly nominated by the military who have laid down the guidelines. There is to be no room in the new Parliament for extremists or radicals: the executive must be strong; and, in General Evren's words, "the State cannot be left weak for the sake of individual liberties."

That is not the pure gospel of liberalism. But it is probably the best that could be hoped for in a country with a 40 per cent illiteracy rate and regions still steeped in rural feudalism. The regime's intention to carry out a land reform will be one of the touchstones of its ultimate success.

Even during the phases of parliamentary control, the power of the soldiers overhung the Turkish state. Following the example of Kemal Ataturk they usually applied it wisely. Europe is right to keep reminding the generals of their undertaking to restore democracy and it is right to press for the suppression of abuses such as torture.

Army

But Europe also has other interests in the area. Turkey has Nato's second largest army, guarding one of the danger areas of the world as well as the route from the Soviet Black Sea naval ports to the Mediterranean. An unstable Turkey serves the interests neither of Nato nor of western Europe. The generals will have succeeded if they manage to place stability on a firm popular basis.

Parliament and the taxpayer

THE SEARCH for value for taxpayers' money and for full accountability of the public sector to Parliament should not be a matter of controversy, but it is. The dividing lines are not across party lines, but between MPs of all parties and the executive. The immediate point at issue is the role of the Comptroller and Auditor General and his staff, who audit the accounts of Government. A series of Parliamentary committees, notably the Public Accounts Committee, have recommended the establishment of a new national audit office and an extension of the range of activities from mainly monitoring central government to cover the whole of the public sector, especially nationalised industries.

The committees have argued that this office should be independent of the executive and should be responsible to Parliament. These proposals were rejected in a Treasury White Paper last July, partly on the grounds that nationalised industries should be responsible to Parliament via ministers.

Principle

The Treasury's response has been forcefully rejected by MPs. The White Paper was attacked from all sides in a Commons debate three weeks ago, and a critical motion has attracted the bipartisan support of 252 members. This has forced the Government to think again. Both the Prime Minister and Mr Francis Pym, the leader of the Commons, admitted last Thursday that the proposals were being reconsidered and that a statement would be made in the New Year.

What should be the criteria for public sector audit? In the Commons debate on November 30, Mr Joel Barnett, the chairman of the Public Accounts Committee, and a former Treasury Minister, said the guiding principle should be that "the Comptroller and Auditor General, reporting through the Public Accounts Committee to the House of Commons, should audit or have access to all bodies in receipt of money voted by Parliament."

This is a fine principle so far as it goes, but it raises a whole series of delicate questions about the constitutional position of ministers, of nationalised industries and of local authorities. The latter should be considered on their own and the Government has pre-empted this aspect with its proposals for an audit commission for councils in the Local Government Finance Bill.

For the rest of the public sector there is no dispute about the right of access to central government accounts. The problems arise over nationalised industries and similar public corporations. The industries themselves have been anxious not to have yet another body interfering in their affairs, and they have argued that the C and AG is not equipped to audit commercial enterprises. The Government believes that the Monopolies and Mergers Commission is the appropriate body to promote the efficiency of these industries and it has announced an increase in the scale of the commission's operations.

MPs of all parties clearly regard this response as inadequate. The Public Accounts Committee has recognised that private sector accountants should continue to be involved in the regular financial audit of nationalised industries and similar bodies. The committee sees a more limited role for the C and AG as befits the relatively small scale of his staff, even though they are now much better qualified and trained than a few years ago. They should inquire into how public money has been spent, not as a continuous process, but when and where such inquiries are necessary.

Enormous

The key principle should be that the taxpayers, via Parliament, should have the opportunity to judge if their money has been well spent. The most obvious area is industrial intervention, where enormous sums have been spent over the past 20 years to no very good purpose. The C and AG has a vital role, not as a regular monitoring agency, but as an investigator on the taxpayer's behalf. The Government should allow it access to the books of all bodies in which public money is involved.

ITALY'S INDUSTRIAL CRISIS

Pains of recession—and realism

By Rupert Cornwell in Rome

A BLEAK winter of recession is settling over Italy. The names of the companies announcing redundancies and lay-offs are a roll-call of the country's industry: Fiat, Piaggio, Zanussi, Montedison, Falck, Alfa Romeo and Rizzoli. And almost daily the list grows longer as the economic chill which has gripped the West for some two years belatedly but remorselessly spreads into Italy as well.

The region of Piedmont and Turin itself, heartland of Italian engineering, have been declared by the Government an industrial disaster area: Sig Giorgio La Malfa, the Budget Minister, has been sent in from Rome as a latter-day pro-consul, to join forces with local industrialists and officials to tackle the problems.

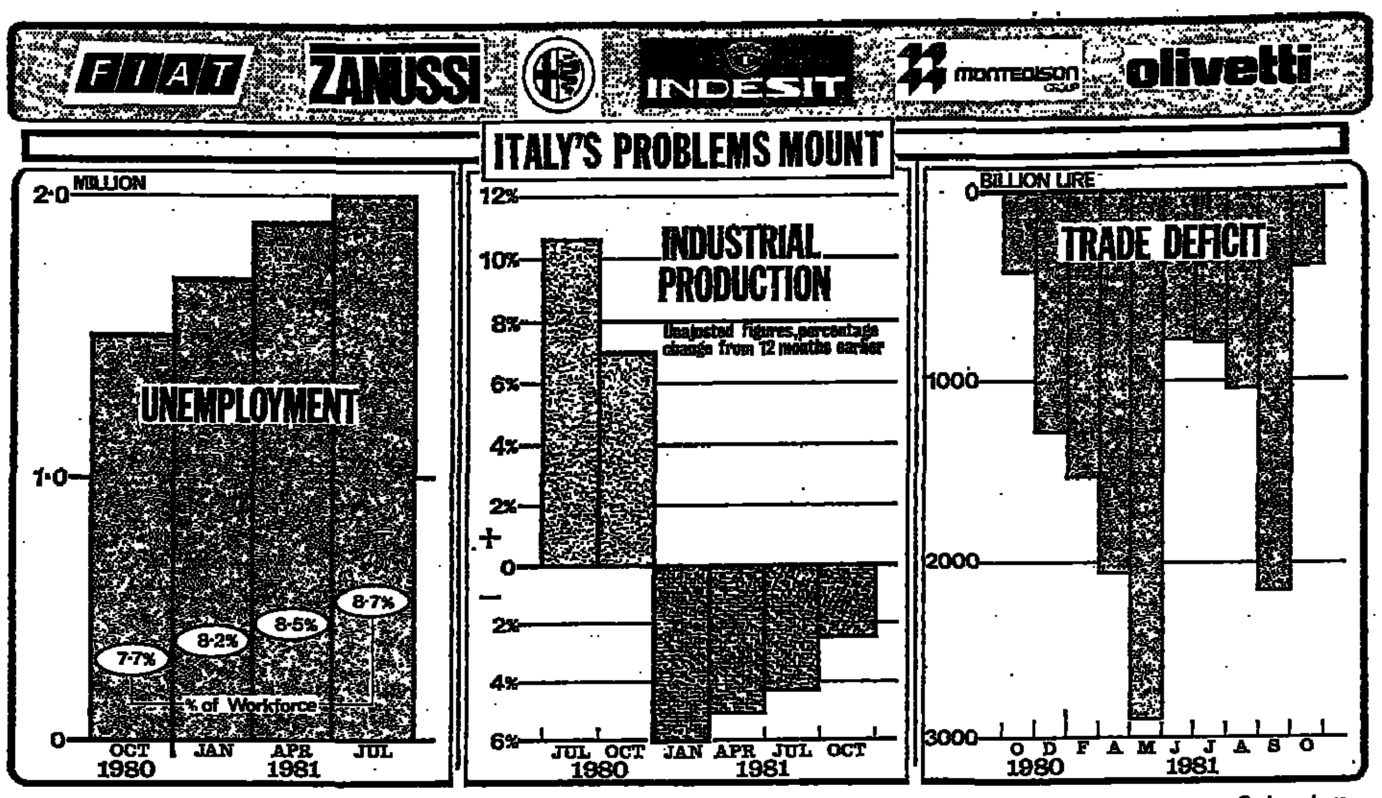
Turin's difficulties in some measure reflect those of the international motor industry, as the cutbacks ripple down to the many local suppliers who depend on Fiat. But the sickness is more widespread.

The long-standing financial weaknesses of CEAT, Italy's second tyre manufacturer, have forced the concern to lay off its 6,000 workers for the remainder of this year. Indesit, the domestic appliance company, is making 1,700 redundant. The factory equipment business of Sig Orfeo Pianelli, president of Torino football club, is teetering on the edge of collapse, as is the SICMU machine tools leasing venture of Sig Gianfranco Malocco, which employs 1,200.

According to the local chamber of commerce 55,000 jobs have disappeared in Piedmont in the year to last September, while a third of companies interviewed in a recent survey reported recourse to the system of "Cassa Integrazione" or State-subsidised lay-off. And as always, what is true of Piedmont, Turin and Fiat is largely true for the country as a whole.

At the end of July national unemployment stood at 2m or 8.8 per cent of the total workforce. But given the notorious difficulty of shedding labour in Italy, that figure is misleading. To adjust their labour forces to market requirements, most companies use the Cassa Integrazione mechanism, whereby the State pays 80 per cent or more of the laid-off worker's salary. This year the Cassa will cover some 500m hours, double the figure for 1980, and according to Sig Giovanni Marcora, the Industry Minister, equivalent to a concealed extra unemployment of 250,000.

Even Emilia Romagna, the country's fastest growing region, is not immune—nor are the industries upon which its fortunes are based: textiles, light engineering, shoes and knitwear. Most of the ceramics factories at Sassuolo, near Modena—and one of the most thriving specimens of a mono-cultural industrial hothouse Italy has to offer—are closing for 20 days this month, thanks in good part to the crisis of the Italian building industry.



Italians, moreover, are not a people given to understanding their misfortunes. And although the depth and length of the recession here will primarily be dictated by what happens in the locomotive economies of Japan, the U.S. and West Germany, the present difficulties are being presented by some as a moment of truth, when the accumulated past sins of a profligate youth have finally caught up with him. For a decade or more, it is argued, the country has been living beyond its means, and has failed to plan ahead.

As the date of the next cyclical upturn in the world economy is repeatedly put back, so have the immediate prospects for recovery in Italy. This year will show at best zero growth, while 1982 is unlikely to be much better. Yet, thanks largely to the much criticised system of wage indexation (the "Scala Mobile"), real wages continue to grow—by 2 per cent on an annual basis in the first six months alone.

Italian economic disasters make familiar reading. Yet few are aware of the facts to which Sig Carlo Ciampi, governor of the Bank of Italy, recently drew attention: that between 1975 and 1980 real wages in manufacturing industry here grew by 23 per cent, by only 12 to 13 per cent in France and Germany, and by nil in Britain and the U.S.

That perhaps is the stuff of economic miracles. But it also helps to explain why Italy's public sector deficit threatens to exceed 11 per cent of gross domestic product in 1982, why the currency is chronically weak, why interest rates for industry are more than 25 per cent and why, despite the recession, inflation remains at around 19 per cent and the current account deficit might reach a record $10bn in 1981.

But as a closer inspection of Turin and Fiat reveal, all may not be so grim. In fact, there are two strands to the country's present discomforts. The first, of course, is the slowdown, which ordinarily would be expected to produce cutbacks on the current scale. The second is the process of restruc-

> As the next cyclical upturn in the world economy is repeatedly put back, Italy will this year show at best zero growth, with 1982 unlikely to be much better. Meanwhile, real wages continue to rise. But all may not be so grim....

turing being pursued with varying degrees of success by several key industrial sectors.

The lay-offs at Fiat partly reflect the slump in the car industry at large. But they are also a measure of the success of the company in tackling the weaknesses that piled up unattended through the 1970s, a decade marked by rising union power and ebbing productivity.

Fiat's fightback, which led to an unavailing five-week strike in the autumn of 1980 over its plans to lay off 23,000 workers for 15 months, was not the first proof that big Italian companies can pull themselves together. That came two years earlier, when Sig Carlo de Benedetti arrived at the Olivetti office equipment group. Since then, a sleepy, loss-making concern has been turned round. Jobs have been lost and Olivetti expects to make L150bn ($125m) in 1981. But the real barometer has been Fiat, the country's biggest privately-owned manufacturing company.

Since the strike, absenteeism at its car plants has fallen from 15 per cent to around 3 or 4 per cent. Productivity has jumped 20 per cent to near the European average. No one would claim that Fiat's problems are entirely behind it, but such a transformation would have been undreamt of just 15 months ago. The improvement has been one reason for the repeated lay-offs. The unions, now on the defensive, are well aware of this dilemma. Higher productivity is fine, but how can that be reconciled with maintaining jobs when output is stagnant?

Where the Turin group has trodden, others have followed — first the Montedison chemicals group, and now Alfa Romeo, the car group, whose plight today is relatively even worse than was Fiat's in 1980. Its decision to lay off 14,000 men (a third of its workforce) next year is, clearly, an attempt to achieve a similar restructuring. But Alfa, unlike Fiat, is state-controlled: and it is with the Government and the public sector that much of the pessimism over the present economic problems are linked.

It is not that nothing is planned—rather the contrary. Industrial schemes by the Government abound. There is one for the debt-burdened steel industry, one for chemicals, another to lessen Italy's reliance on imported oil for its energy needs, and another to promote co-operation between private and public sectors. The Government is, moreover, trying to prod management and unions into a deal on labour costs by modifying the "Scala Mobile."

But Italian plans, like Italian Governments, are accident-prone. The steel plan, worth some $8bn, could become bogged down in Parliament, or in Brussels: while the chemicals project, transferring the bankrupt SIR group to ENI, the state energy agency, looks suspiciously like a return to the bad old ways of the public sector, of pouring good money (in this case over L3,000bn) after bad. On current indications, the mountain of negotiations on labour costs seems likely to yield only a mouse.

Last month, when opening a Fiat-Peugeot light vehicle plant in Southern Italy, Sig Giovanni Agnelli, Fiat's chairman, said explicitly that the country's business community urgently needed stronger, more durable governments to push through decisions speedily, and keep Italy firmly among the world's major economic powers.

Yet the six-month-old administration of Sig Giovanni Spadolini may not last much longer. Some people believe that there may be general elections in the spring. With such thoughts on their minds, Ministers are more inclined to talk about extra spending and less about sacrifice.

Coupled with all this, however, is a basic uncertainty over the implications of this particular recession for Italy. For the pessimists, it heralds a new uncomfortable era, made all the harsher by past failings. This is what might be called the orthodox macro-economic school of thought.

It is held by those who look at the public sector borrowing requirement, inflation and the troubled public sector, which is rife with patronage. They see Italy's administrative and political shortcomings, the seeming impossibility of persuading competing interest groups to accept sacrifices for the common good, and the comparative weakness of the country in advanced technological sectors. Italy, they conclude, is trapped into traditional sectors for its exports, where the challenge from the emerging Third World grows ever stronger.

Others, however, are less sure. For them the slowdown might constitute a springboard for a new phase of economic development. They acknowledge all the above defects, but claim that to concentrate exclusively on them is to ignore the micro-economy: the extraordinary inventiveness and vitality of the system as one progresses outwards from the centre.

If anything, the centrifugal pressures are growing. CENSIS, the social research institute, which first remarked upon the now famous "submerged economy," refers to the process as "localism." Some of the sectors built upon this localism have begun their own spontaneous adaptations to meet the changed conditions. Now that Italian clothing and knitwear manufacturers can no longer compete on price, they are concentrating on quality and style. Hence a switch from contracted-out work for bulk foreign buyers to direct marketing, and the use of franchising involving top fashion names. Even so, the workforce of the clothing sector has been declining by around 2.5 per cent a year since 1974.

But there are other arguments to back the more optimistic interpretation. In the first place, the present recession (thus far) is less severe than the last, in 1975, when GDP dropped by 3.7 per cent. The subsequent currency crisis, moreover, was followed by a recovery which in 1979 and 1980 saw Italy achieve the fastest growth of any EEC nation.

This time, too, the first green shoots are poking through the snow. Exports are increasing more rapidly than imports, as industry helped by two lira devaluations this year, diverts output abroad. October's monthly trade deficit of L410bn was the lowest for two years. Then again, it is argued, big increases in corporate fixed investment over the two preceding years will mean that Italian companies are well placed to take advantage of the recovery when it does arrive.

So who is right, the optimists or the pessimists? Probably, in the best Italian tradition, everyone has part of the truth. Perhaps the country's small industries do not quite measure up to their supporters' claim that they are the model economy of the future. But nor is the country entirely at the mercy of the public sector. Times are hard, but Italy has peered into the abyss before—and always managed to step back from the edge.

Men & Matters

Credit transfers

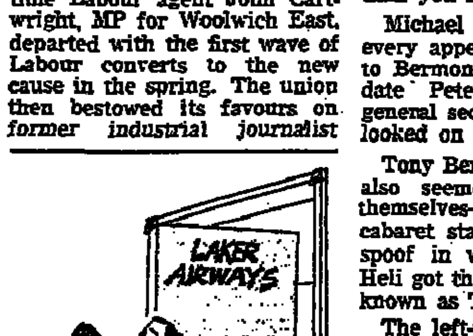
The Social Democrats' attempt to break the mould of British politics is putting a heavy strain on the Banking, Insurance and Finance Union's efforts to maintain its image of even-handed, non-political respectability.

The policy of the union, which belongs to the TUC but shuns affiliation to the Labour Party, is to sponsor one MP from each of the two main parties in the Commons.

On the Tory side, Bifu has been well pleased with its choice of South Bedfordshire's former advertising executive, David Madel, as beneficiary of its £550-a-year bounty. But the men it picks from the people's party keep deflecting to the SDP.

Amid mutual regrets, one-time Labour agent John Cartwright, MP for Woolwich East, departed with the first wave of Labour converts to the new cause in the spring. The union then bestowed its favours on *former industrial journalist* John Grant — only to see the Islington Central MP go the same way last month.

Now Leif Mills, Bifu's general secretary, tells me the union is looking for a third, and prospectively more permanent, candidate for its sponsorship. Mills has two names in mind, both members of Labour's Centre block of MPs and both already re-selected by their local parties. The third choice, he believes, can be banked upon to stay. But after the next election?



"I don't know why everyone was so worried—we always have a few bankers on stand-by."

Party spirit

Given Labour's uncomradely behaviour lately, the staff Christmas social at the party's Walworth Road headquarters turned out to be a jollier do than you might have expected.

Michael Foot chatted with every appearance of amiability to Bermondsey's banned candidate Peter Tatchell, though general secretary Ron Hayward looked on darkly.

Tony Benn and wife Caroline also seemed to be enjoying themselves—until the traditional cabaret started with a Biblical spoof in which a sage called Heli got the better of a prophet known as Toniben.

The left-wing leader watched the climax, pulled a wry face, and, gathering his wife, strode from the room.

Tatchell stayed, however, to laugh at a burlesque of his own plight in which a party candidate was accused of being "a member of the Guardian Tendency, a fanatical organisation with its own principles and platforms."

And to listen to a radical transformation (as they say in Walworth Road) of a well-known hymn into "What a friend we have in Tony."

The last verse, sung with feeling, came out something like:

"The last Government was dreadful,
It nobody could defend.
Blame the bad on all the others,
All the good on Tony Benn."

To the rescue

City institutions, which have had cause in the past to be grateful for their own forms of lifeboat, might consider making a contribution now to the replacement of the RNLI's Penlee vessel which was lost with eight men aboard yesterday.

The RNLI, entirely supported by voluntary donations, is to send a relief boat from Holyhead to the Cornish coast tomorrow. But a permanent replacement will have to be found quickly. The Penlee vessel cost £40,000 when it was built in 1960. A new one, I am told, will cost between £250,000 and £300,000.

Stars and stripes

In Chicago and London they seem to have rather different ideas about the sort of help our businessmen really need these days.

Protection, snaps Zoe Carl on behalf of the Illinois-based International Personal Security Group. "Who will negotiate the liberation of your chief executive if he is kidnapped and held for ransom?" she challenges.

Or help your vice-president confined to an African hospital with an undiagnosed illness? Or get your sales rep out of jail in a Third World country under martial law?

Despite today's "all time high corporate criminal victimisation rate" scarcely a company knows the answer to even one of those questions, Carl informs me.

Despair not. The IPSG, which has just been giving the Guatemalan army a hand with a course in street-survival tactics, has all the answers in its "exotic catalog of comprehensive security."

In the businessman's fight for survival, says the forceful Carl, IPSG can equip him with everything he needs from "bomb defence systems to personnel disaffection detection."

Latest laconic advice, on the other hand, from Britain's management services to the trouble-beset businessman is to go into retreat. The London company Rutter-Allnutt is offering executives weekends in the Cotswolds from February for lessons in astrology homeopathy and the arts of relaxation.

Knowing what the stars hold for you—and being physically and mentally prepared to take advantage of it—beats a bren gun for handling business risks, it assures me.

Up the pole

In all modesty, my colleagues at the FT were pleased to get a letter last week from a 12-year-old German girl, Heike Heuer, who addressed her letter from Hamburg simply to "The most famous newspaper in London."

But they have been a bit mystified since by the hordes of children telephoning this office from nearer home to demand up-to-date news about Santa's toy delivery, his new alarm clock, and his friends, the man in the moon and the warm-hearted dragon.

A little outside our normal service to readers—but one that we have had to learn to cope with since British Telecom gave other newspapers around London our telephone number as that of Santa Claus's toy factory at the North Pole.

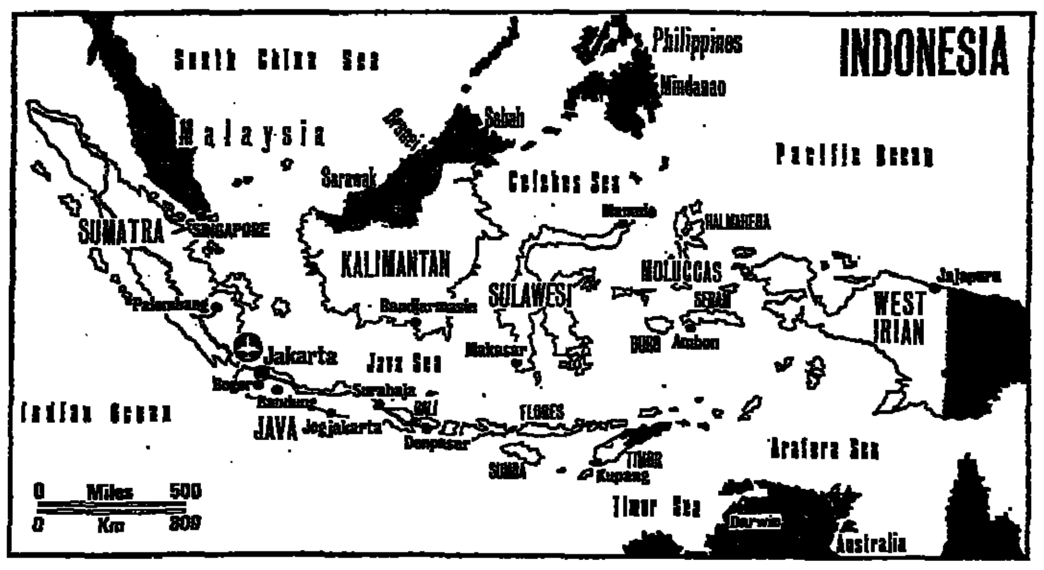
The correct number, kiddies, is 246 8020. The old man with the white beard here has become quite grumpy since British Telecom proudly told him that last year 1.5m eager tots rang him for a Christmas story.

Observer

FINANCIAL TIMES SURVEY

Monday December 21, 1981

INDONESIA



With its huge reserves of oil and natural gas and wealth of other natural resources Indonesia must count itself among the most favoured of countries in the developing world. But poverty is widespread and a narrowing of the big gap between rich and poor remains the highest Government priority in advance of the elections next May.

So much to gain by firm handling

By David Dodwell

"UNDERSTAND the wayang—the famous Javanese shadow-puppet theatre—and you have begun to understand Indonesia," said one ambassador in Jakarta. "The problem is, I find it almost impossible to know whether I am watching from the shadow side or the puppet side. I often think I am seeing things back to front."

For many outsiders Indonesia remains a perplexing enigma. Made up of about 13,000 islands sprawled along 5,000 km of the Equator, it is a vast country with large tracts of land still unmapped. Its 155m population, for the most part sparsely spread over the outer islands, is dominated by the 70m people squeezed onto Java. Its national religion is Islam—but a species of Islam unlike any other, overlain by elements of Hinduism and simple native mysticism.

An insularity and sense of national pride is strong, particularly among the dominant Javanese. Foreigners are looked on with suspicion, or kept at a distance. Suspicion is rooted in painful memories of Dutch colonial rule, which only ended with the Japanese occupation in 1942. It is aggravated by a justifiable conviction that foreign powers cast a covetous eye over the country's immense resource wealth, which ranges from oil and gas through primary commodities like timber, palm oil, rubber and coffee to minerals like tin and copper.

With such resource wealth, Indonesia is a country with the potential to become immensely rich. But for a number of reasons, many of them outside the Government's control, it is likely to remain poor. Similarly, after 15 years of continuous government under the "new order" regime of President Suharto, Indonesia has the potential to achieve long-term political stability. But the political foundations on which such stability could be based remain undeveloped.

Economic progress over the past decade, as measured by most conventional indicators, has been impressive. Buoyed by exports of oil, the country's balance of trade has been in continuous surplus. Gross National Product has grown by an average of more than 7 per cent. Last year it grew by a remarkable 9.6 per cent—an achievement bettered in the world only by Singapore.

Inflation, which soared in the mid-1960s, in the last chaotic years of President Sukarno's rule, to over 200 per cent, has been brought under control. During the current financial year it is expected to be less than 5 per cent.

The long-elusive target of rice self-sufficiency also seems in reach. For many years Indonesia has had the dubious honour of being the world's biggest rice importer, but this year it will be overtaken by South Korea. Indonesia's imports were small, and needed only to build up stocks. After another good harvest this year, planners claim there will be no need for imports in 1982, but whether long-term self-sufficiency has been achieved is as yet uncertain.

But behind the glowing indicators there are serious problems. As domestic demand for oil grows at a steady and unstoppable rate of between 10 and 12 per cent, so earnings from oil imports are likely to dwindle over the coming decade. Earnings from natural gas are expected to offset some of this loss, but hopes that non-oil exports would rise to fill the gap have been frustrated.

Dependence on oil incomes is acknowledged by the government to be much too heavy. But this dependence is increasing rather than declining. In 1981 oil and gas exports will account for over 80 per cent of export income, and about 70 per cent of government income.

Indonesia's manufacturing sector is still tiny, accounting for less than 5 per cent of exports and 7 per cent of GDP. It is difficult to avoid the impression that the modern industries operating in Indonesia represent an artificial and alien enclave in a country that is still profoundly pre-industrial.

While the Government's coffers are bulging with an estimated $10bn of reserves, the country still lacks the banking and financial institutions to put

President Suharto—politically strong enough to initiate reforms

these funds to good use in the economy. So poverty in the countryside remains acute. Foreign economists estimate that at least 40 per cent of the population subsists on less than $90 a year. Health provision is poor, resulting in high child mortality and a life expectancy of less than 50.

Despite major family planning campaigns, the population is still growing rapidly. With 3m new mouths to feed every year, the benefits of better rice production have been eroded. Unemployment is likely to be an increasingly serious problem as an extra 2m school-leavers join the labour market each year. An ambitious transmigration scheme, intended to resettle 2½m people from overcrowded Java on outlying islands, will provide scant relief, even if resettlement targets are met.

BASIC STATISTICS

Area:	1.9m sq km
Population:	155m
GDP (1980):	41,889bn rupiahs
Per capita:	275,785 ($440)
Trade (1980): Exports	$21.7bn
Imports:	$12.6bn
Trade with UK (1980): Exports:	£56.9m
Imports	£112.2m
Currency: Rupiah £1 =	Rp 1,168.65

Economic observers in Jakarta, including those at the World Bank are convinced that structural reforms are needed urgently to meet these encroaching problems. They are concerned that the Government will be lulled into complacency by by current oil and gas earnings. The result, they say, will be deepening balance of payments deficits which would force cuts in development spending. Such cuts could jeopardise political stability.

They call on the Government to relax its regulatory grip on domestic and foreign investment, to reduce subsidies on the price of oil products and food, to lower tariff walls that protect domestic industry and to establish a better system of tax collection. The price of failing to introduce these reforms will be high, they say.

It is uncertain however, whether the government has the will or inclination to introduce such changes. One cannot be sure that the country's leaders are amenable to the logic and Western rationality of such economic analysis. In addition, imminent parliamentary elections, coupled with a presidential election due early in 1983, make it unlikely that President Suharto will risk any unpopular reforms.

Despite the certainty of President Suharto's political control, he and the small circle of acting and former army generals who form his "kitchen cabinet" continue to move with extreme caution. They act with surprising ferocity against the earliest signs of political dissent or radicalism. Clearly, memories of the upheavals surrounding the attempted coup in 1965 and the purge of Communists and Communist sympathisers that followed, are still strong.

This explains in part why the Government takes such care over the selection of candidates for the parliamentary election and why it is careful to prevent the political temperature from rising too high in the run up to the election.

Electoral pressures apart, there are formidable vested interests among the country's ruling elite that will resist fiercely major reforms. Many benefit from the corruption which oils the wheels of government in Indonesia and it will take a firm resolve to introduce and sustain reforms capable of leeching this corruption from the system.

Many feel the President's power is so firm that he can introduce reforms without fear. Even though parliamentary elections, scheduled for May 1982, are more than four months away, the result is a foregone conclusion—a sweeping victory for the government-backed Golkar party. Suharto's re-election as President in elections in 1983 is so sure that much debate has instead concentrated on whether or not he intends to stay in office after 1988, when the next presidential elections are due to be held.

The small core of Western-educated technocrats who advise the President on economic policy are persuaded unanimously of the need for reforms. They have made great play of recent disappointing balance of payments figures—which show stagnating oil earnings, a steep fall in non-oil export earnings, and rapid increase in imports—to ram home to the President the need for change, and to "soften up" public opinion.

If one could be sure that the President was persuaded by the economic logic of his advisers, then one could be more confident that reforms will be made. However, it is equally likely that the country's leaders will act according to roles they currently see themselves playing in some grand, real-life wayang theatre. As such, the odds against early reforms must be high.

President Suharto has in the past nevertheless shown an immense capacity to surprise. His decision to devalue the rupiah in November 1979, and to increase kerosene and petrol prices by 50 per cent in May last year, both provide evidence of a willingness to make unpopular changes once he is convinced of the need.

CONTENTS

Finding the right climate for domestic investment

ECONOMY

RICHARD COWPER

NEXT MONTH President Suharto will present the nation with a comparatively austere draft budget which reflects a less rosy outlook for the economy than that which prevailed just a year ago. Low oil prices and a sharp drop in commodity export earnings this year have swiftly brought Indonesia down from the dizzy heights at the end of 1980 when the country finished a decade of impressive growth with record reserves, a huge balance of payments surplus and an unparalleled economic growth rate of 9.6 per cent.

In calling on the nation to tighten its belt the President is expected to limit the increase in next year's budget (1982/83) to well under 10 per cent in real terms, which is in sharp contrast to the 20 per cent real annual increases over the past two years when government income soared as a result of the near-doubling of oil prices in 1979 and 1980.

Net oil and liquefied natural gas earnings for the current financial year (1981-82) are likely to end up around $10.7bn—a tiny increase in nominal terms compared to 1980-81 but a drop in inflation-adjusted terms of well over 5 per cent. With falling prices for many of Indonesia's commodity exports and government restrictions on sales of logs, shrimps and palm oil, non-oil export earnings are expected to fall roughly 30 per cent in nominal terms to around $4bn.

Imports, however, have continued to grow at a fast clip. Despite the reduction in exports and generally slower growth in the economy as a whole, non-oil imports are expected to rise around 25 per cent in nominal terms to around $14.5bn in 1981-82, leaving an uncomfortably small trade surplus of just $200m. This is in sharp contrast to last year's visible trade surplus of $4.4bn and illustrates just how vulnerable Indonesia's economy is to changes in the international trading environment.

The balance of payments on the current account is expected to show a deficit of around $2bn, a dramatic reversal from the $3bn surplus recorded at the end of 1980-81. Normally this would not be quite as alarming as might at first appear. With the exception of the past two boom years Indonesia has traditionally run a sizeable current account deficit, topping up with large injections of foreign aid and loans which for most of the 1970s provided a small surplus in the overall balance of payment.

But the fact is that the Department of Finance is predicting the first overall balance of payments deficit since 1975-76. Mr Ali Wardhana, the country's Finance Minister, says he expects a deficit of around $900m, a sharp fall from last year's $2.7bn surplus and a significant contrast to the average annual balance of payments surpluses of around $1bn over the past five years.

This will inevitably mean a run-down on the country's foreign reserves. But thanks to careful financial management during the oil boom years of 1979 and 1980 these currently stand at around $10bn, more than treble the amount recorded just over two and a half years ago. According to Professor Widjojo Nitisastro, Minister for the Economy: "Compared to the projections at the beginning of the year the situation does not look good. But in fact we are in a much better position than we were during most of the 1970s."

Mr Ali Wardhana, Finance Minister: expecting a $900m deficit

In addition to the protective cushion of reserves there are a number of reasons why the outlook for Indonesia's economy in 1981-82 is nowhere near so gloomy as some commentators are now predicting. In real terms, the growth rate of Gross Domestic Product (GDP) is expected to be at least 7 per cent this year, not so high as the record 9.6 per cent of last year but still comfortably within the Government's average annual target for the nation's third five-year development plan of 6.5 per cent.

In the mining and quarrying sector, which accounts for around 27 per cent of Indonesia's GDP, a small but encouraging increase in oil output of around 10m barrels should see this sector grow by around 2 per cent in real terms after four years of steady decline.

In agriculture, which accounts for around 26 per cent of GDP, a record rice crop should offset the losses resulting from declines in output of some estate crops to maintain growth in this sector at around 4 per cent, equal to the average annual increase over the last four years. For the nation's 20m rice farmers 1981 has been another bumper year, with this year's rice harvest expected to yield 22.2m tonnes, up around 10 per cent on last year's crop which was itself an all-time record. As well as bringing the nation to the very brink of rice self-sufficiency (one of the New Order's most cherished goals) it has also boosted rural incomes, which in turn has provided a powerful stimulant to the rural economy.

Manufacturing will probably register less than half last year's record 21 per cent growth but at around 10 per cent in real terms this is still a respectable increase. Elsewhere construction, trade and services will be slightly down on last year but will continue to grow at historic rates of a healthy 10 per cent.

The mid-term outlook for the economy as a whole, however, must be cause for some concern. Though much depends on what happens to oil prices and just how quickly the world comes out of recession the prospect over the next few years is one of continuing resource deficits which will require increased reliance on foreign aid and commercial borrowing if the Government is to continue its policies of maximising economic growth.

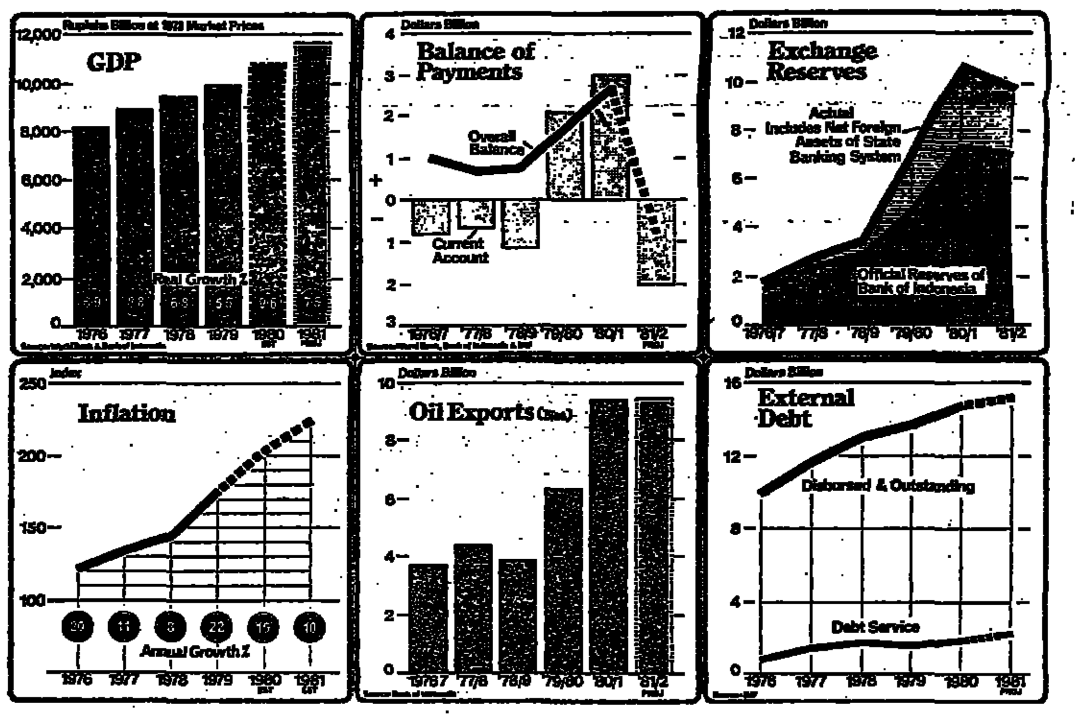
Each year Indonesia receives commitments of around $2bn in bilateral and multilateral aid from the World Bank and a consortium of Western countries known as the *Intergovernmental Group for Indonesia*. At the same time the Government has continued to borrow sizeable amount on the commercial market. This year it went to the market with two major syndicated loans, the first in February for $350m and the second last month for $300m—when it seemed set to win the finest terms in its history with an interest rate of just ⅜ over Libor.

With a comfortable debt service ratio of around 13 per cent Indonesia can safely increase its commercial borrowing but the sharp turnaround in economic prospects (based on a 3 per cent per annum real increase in the price of oil, the World Bank in March this year was predicting balance of payments surpluses until 1985) underlines the vulnerability of the Indonesian economy. Around 70 per cent of the country's exports and a similar proportion of government income is dependent on petroleum, and a price change of just $1 a barrel shows up in the balance of payments as US$500m. In the words of Professor Widjojo: "I think there is now full awareness that in the longer term the luxury of the reserve cushion is no longer there. Our dependence on oil has made us very vulnerable. That makes it even more essential for the Government to diversify its export base."

The Government has to create 2m new jobs and feed an extra 3m people every year and to do this it has to maximise the country's economic potential. If it is to maintain its own spending at current levels to create the necessary infrastructure and human resource development to boost economic growth and help reduce poverty levels it may have to take a number of politically unpalatable measures.

It will not only have to give much greater consideration to ways of encouraging non-oil exports, both agricultural and manufacturing, but also take full advantage of its enormous investments in upstream capital-intensive industries (an estimated $10bn in the last 12 month alone). The Government, against its natural instincts, may have to allow the largely Chinese private sector to play a much greater role in boosting intermediate manufacturing output. It will also have to give much more attention to ways of reducing the bureaucratic and regulatory blockages which have proved such a powerful disincentive to both foreign and domestic investors alike.

As Professor Widjojo put it: "The pressure of employment is so great that there is a need to create jobs in all sectors, industry, agriculture and services. The most important cure is to create a climate favourable for domestic investment."



Why a low-key profile pays off

FOREIGN RELATIONS

DAVID DODWELL

INDONESIA'S TOP priority in foreign policy is to maintain and foster unity inside Asean—the Association of South East Asian Nations—no matter what the impression gained overseas by the recent "tiff" between Indonesia and Singapore over Asean policy on Indochina.

In fact the clash — rare because of Indonesia's preference for keeping disagreements behind closed doors—says more about Indonesia's own view of its role in the region than about policy differences on Indochina.

Because Indonesia, by far the largest, most populous and most resource-rich member of Asean, which groups Thailand, Malaysia, Singapore, Indonesia and the Philippines, sees itself as a regional power not unlike India in the Indian subcontinent, Singapore's offence was not to have said something with which Indonesia disagreed, but to have said it without first conferring with Jakarta. A certain *minimum of deference is expected.*

Many of Indonesia's regional neighbours remember days when their big Asean partner was seen as a potentially expansionist, or hegemonist, power. Until President Sukarno was levered from power in 1965, his policy of *konfrontasi*, or confrontation, lead to dangerous clashes with Malaysia and the Philippines, and widespread tension in the region.

But much has changed under President Suharto. His Foreign Minister, Dr Mochtar Kusumaatmadja, said: "Sukarno's policy of confrontation was counter-productive and disturbing.

"One of the secrets of why Asean works is because Indonesia is taking the attitude it is. Often regional groups fail because of the desire of the large powers to throw their weight around. It is in Indonesia's interest that Asean is strong, so a low profile is a small price to pay. We paid heavily for trying to play a leading role in the region in Sukarno's days, so why should we repeat the mistake?"

This attitude explains why Indonesia is apparently happy to let Singapore and Thailand act as mouthpieces for Asean policy. It also, in large part, explains Indonesia's distinctive view of the power balance and foreign policy problems in the region, particularly when linked with the country's painful struggle for independence from Dutch colonial rule.

As a regional power it is *deeply suspicious of* interference from outside, whether from the U.S., the Soviet Union or China. The idea that South-East Asia should become a "zone of peace, freedom and neutrality" is deeply cherished, and dominates the country's reflexes in discussions about possible solutions to the conflict in Kampuchea.

Dr Mochtar explains that if the Soviet Union could be persuaded to dilute its presence in Vietnam, then China would have no excuse for interfering in the region by providing armed backing to the Khmer Rouge resistance in Kampuchea. An end to Chinese interference would in turn eliminate the need for Western powers to contemplate supplying arms to a Kampuchean Government-in-exile that is sympathetic to the West.

Indonesia has been keenest of all the Asean members to keep doors open for a political settlement with Vietnam over the conflict in Kampuchea.

Indonesia also apears to be more accommodating in its search for a compromise which "lets Vietnam off the hook." Other Asean members talk of Indonesia being keen to find a face-saving settlement — perhaps partial withdrawal of Vietnamese troops from Kam*puchea and a commitment from* the Vietnamese-backed Government of Heng Samrin in Phnom Penh to supervised elections, in exchange for temporary acceptance of the status quo.

The recent Asean Foreign Ministers' meeting in the Thai coastal resort of Pattaya seemed to mark a new resolve inside the group to find a settlement to the conflict in Kampuchea.

Official statements after the meeting have been judiciously vague. But the Khmer Rouge can expect to lose Asean backing for representation at the UN when the General Assembly meets next November unless it agrees to join the united front with former President Sihanouk and former Prime Minister Son Sann on terms favourable to the latter groups.

Before leaving for the conference, Dr Mochtar said: "The idea of a coalition is not only useful, but absolutely necessary, because we know that the Khmer Rouge regime of Pol Pot is totally unacceptable to the international community and to the people of Kampuchea." Asean members evidently intend to put more pressure on Peking to persuade the Khmer Rouge to join the coalition on terms demanded by its other members.

Indonesia's other main foreign policy preoccupation, relations with China, is closely linked to the conflict in Kampuchea.

Dr Moctar Kusumaatmadja, Foreign Minister: wants a strong Asean

While Indonesia's low-key foreign policy profile is, in part, due to its reluctance to resurrect fears among its neighbours that it has expansionist aims, it is also in part due to an over-ridding preoccupation with establishing and consolidating national unity and security.

As an archipelago comprising over 13,000 islands and sprawled across 5,000 km of the Equator, the task of consolidating its borders has been a formidable task. While there is still controversy over Irian Jaya and East Timor, this task is more or less complete. From the basis of regional stability which a strong Asean is intended to provide, Indonesia is likely to be content to use its foreign policy to maintain this hard-won national unity. Indonesia is not likely to be a prominent figure on the stage of international diplomacy for many years to come.

Suharto sure of firm grip on reins

PRESIDENT SUHARTO approaches next May's general election in the knowledge that despite attacks from a small but vocal band of critics his grip on the reins of power is stronger than ever and his re-election for a fourth term as President in 1983 is virtually assured.

To most Indonesians it seems almost inconceivable that in the short but tense four-month period up to the nation-wide general election for Parliament anything could undermine the prospects for a third overwhelming victory for the Government-backed Golkar Party. Similarly, it seems certain that the nation's highest decision-making body, the MPR, will in 1983 elect General Suharto as the country's next President.

The opposition political parties have long been emasculated. The army, Suharto's main power base, is firmly under his control. The heads of the powerful security and intelligence complex of Kojkamtib and Bakin remain loyal to the man who put them there.

The tiny secessionist movements in Aceh, Irian Jaya and East Timor pose no serious military threat and seem unlikely to unsettle the existing military-bureaucratic establishment. In addition to this, kind weather and two years of rocketing oil prices have resulted in a booming economy and two record rice crops. For the rural masses who make up the bulk of the nation's 40m voters there would appear to be no overwhelming motive for them to reject the Government's argument that it has brought stability and a measure of improved living standards to the nation.

For many, this vision of a nation fundamentally at peace with itself is a potent one. Nevertheless there are a number of clouds on the horizon which could cause concern to the ruling elite of the New Order, and those like the small but economically powerful Chinese community who have flourished under it.

First is the growing boldness of an influential group, comprising retired army generals and a former prime minister and originally known as the "petition of 50." The group last year accused the President of dividing the nation and betraying the ideals of the New Order by using the army and the constitution to eliminate all dissent. The petition group is loosely knit, with varying and often opposing political aims and ideals. Some aim to topple the President, others to reduce the power of the army. Some aim to create a state in which Islam plays a more central role, others to establish a mechanism by which a peaceful presidential succession can be ensured.

Though this group has no obvious power base and little access to the public, it has

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nevertheless managed, in Jakarta at least, to arouse debate on a number of formally unmentionable political issues through the distribution of letters and petitions. Earlier this year it called on Parliament to postpone next year's election and asked for a major national debate on the series of laws which govern the nature of the country's existing political institutions. Just a fortnight ago a well-known lawyer, loosely connected with the group, wrote to virtually everyone in the military and bureaucratic leadership calling for a special session of the MPR to investigate allegations concerning the nature of President Suharto's suppression of the abortive coup in 1965.

At the time a former Minister of the New Order regime said: "This is dangerous, it's a symbolic gesture which challenges the pre-written Wayang drama script that should take us smoothly through to the elections. Here is a man that in the midst of the overwhelming popular demand for Suharto to be re-elected dared to challenge the President."

Unless, however, the group of 50 can link itself to a powerful group of serving army officers with direct control over troops or forge an alliance with a Muslim institution like the Nahdatul Ulma which has direct and widespread links to the masses, the group is unlikely to have any chance of unseating the present regime.

Secondly and perhaps more worrying is the continuing ill-health of Mr Ali Moertopo, the once-powerful Minister for Information, who through his OPSUS (special operations) group played a key role in ensuring successes for Suharto in a number of sensitive areas. It was Mr Ali Moertopo who managed East Timor, ensured the electoral victories of Golkar in 1971 and 1977 and kept the opposition parties weak and divided. The possibility of a major power struggle should his health deteriorate further cannot be completely ruled out.

Lastly there is the struggle within the Muslim-backed PPP opposition party, a faction of which has threatened to pull out of the election if the Government does not back down on what appears to be an attempt to reduce the Nahdatul Ulama's dominant role within the party. But the struggle with in the party has yet to be resolved and agreement with the Government yet to be reached.

Many PPP members still hope to do a deal with the Government in advance of next May's poll, perhaps gaining a ministerial post in return for a quiet election.

Candidates of the Government-backed Golkar party (left) announce their victory in the royal town of Jogjakarta in the 1977 general election; Golkar seems set to win another sweeping victory in next May's election. The army is pledged to maintain a neutral role in the elections. Gen. Muhammed Yusuf, Indonesia's Defence Minister (right) is keen to build a more professional army. *(Pictures courtesy Tempo magazine, Jakarta.)*

Abri continues its dual role

THE 350,000-strong Indonesian armed forces (Abri) plays a unique and powerful role in the political, economic and social system created by the New Order Government of President Suharto.

Indonesia is not a military dictatorship but in its alliance with the civilian bureaucratic elite Abri is the dominant partner and is likely to remain so for many years to come.

President Suharto is himself a general, albeit retired, and he came to power in 1965/66 precisely because he was able to cootrol the army. Through careful political manoeuvring involving a series of purges, frequent reshuffling of top positions and a skilful dispersal of patronage he has sucessfully dominated the organisation which propelled him to power but this does not disguise the fact that over the past 16 years this is where his power base has remained.

Today it is the armed forces, and those who have risen through its ranks, that are responsible for much of the day-to-day running of the country. Ideologically imbued with the same anti-Communist, non-sectarian and pragmatic spirit top serving or retired army officers control many of the most important political and economic positions. Barring a revolution few doubt that Indonesia's next President will himself be a member of the armed forces.

Around 40,000 members of the armed forces are currently serving in non-military positions throughout the Government, according to a 1981 report written by one Western embassy. Half of the cabinet is made up of either serving or retired Abri members, with the powerful positions of defence, security, home affairs, justice, religion and the all-important state secretariat in the hands of military men. Almost 80 per cent of secretary and director-generals (the key ministerial assistants) are or were once army men, according to a senior Government Minister, while the three most powerful state companies, Pertamina (oil and gas), Bulog (rice) and Tambang Timah (tin) have soldiers as their chiefs.

Around 65 per cent of the governorships of Indonesia's 27 provinces are occupied by serving or retired military officers and the army has its own administrative system which runs virtually parallel with that of the Ministry of Home Affairs down to sub-district level.

This weight of power and influence has enabled the armed forces since 1965 to expand considerably its economic interests which first began to flourish when military men took over many of the Dutch companies nationalised by President Sukarno in the late 1950s.

Military men control hundreds of companies which run everything from banks and insurance to logging, buses, shipping and aircraft. Often operated in partnership with Chinese or foreign business interests these companies are well placed to gain access to Government licences and contracts.

THE ARMY

RICHARD COWPER

The best known and perhaps the largest of the wholly owned military enterprises, according to Mr Richard Robinson—an Australian academic who has studied the subject—is a holding company called Tri Usaha Bakti, which he describes as "the hub of a vast network of military business enterprises" which in 1975 held shares in at least 38 companies.

The army's involvement in business and politics has not been without its critics. Opponents of the New Order such as Muslim radicals and students have accused the army of using unwarranted force to bulldoze the public into accepting a regime which they say is corrupt.

But criticism has also come from within. Though few officers would completely reject the army's so-called "dwi-fungsi" (dual function) role, many were concerned that Abri's professional ability as a fighting force aimed at ensuring the country's security was being seriously hampered by the rapid growth of its political and economic interests.

When General Jusuf was made Defence Minister in April 1978 he took over a navy, air force and army much of whose equipment, supplied by the Soviet Union in the late 1950s and early 1960s, was either falling apart or defunct. Morale in the army was low because of its poor performance in the war against Left-wing Fretelin guerrillas in East Timor and many of the country's 100 battalions were living in run-down barracks and often forced to make a living from extra-military activities as best they could.

General Jusuf has tried to limit the number of serving officers working in the Government and also in commercial enterprises. The latter, he hopes, will largely be left to the growing number of retired military officers and personnel. He has also set about retraining and re-equipping all three branches of Abri.

Though an estimated 30 to 40 per cent of military expenditure is still believed to come from "unconventional" sources. General Jusuf has been instrumental in getting the official budget allocation to defence and national security more than doubled in the past three years to \$2.8bn in 1981-82.

At a total cost estimated at over \$1bn, all three branches of the services have benefited from a three-year-long spending spree. The air force has acquired two new squadrons of jet fighters (16 new F5Es from the U.S. and eight reconditioned U.S.-made F4s), eight new jet trainers (British Hawker Siddeley Hawks) and a fleet of Hercules transports. The navy has bought three new corvettes from the Netherlands, two new submarines from West Germany, a training ship from Yugoslavia, eight Korean patrol and tank-carrying vessels and more than six Nomad maritime patrol aircraft from Australia. The army has been issued with new small arms and transport, and soon to arrive will be a fleet of around three dozen French AMX tanks.

General Jusuf's aim has been to turn Indonesia's army into a modern and more efficient fighting force, but as Mr Jusuf Wanandi of the Centre for Strategic and International Studies puts it: "The army is going to maintain its dual role until the time the politicians can run the country in a peaceful way." That moment in time, of which Abri itself will be the judge, is unlikely to occur for at least another decade.

Confidence holds despite some looming worries

ENERGY EXPERTS talk of profound uncertainty over the future of demand for oil and its price but in Indonesia, the world's leading oil exporter east of the Gulf a quiet confidence remains.

True, the near-euphoria of 1979 and 1980 triggered by extra-ordinary rises in oil prices has been curbed. Worries have also been raised particularly over fast-rising domestic demand for oil products and the possible adverse consequences of price stagnation at a time when the country relies on oil for 70 per cent of its domestic revenue, but the overall picture is a healthy one.

Output averaged 1.6m barrels a day during the first four months of 1981. Statistics of output have been kept secret since then, but experts predict an average for the year of about 1.6m b/d, up from an average 1.58m b/d in 1980. General Joedo Sumbono, head of Pertamina, the state oil company, has predicted output averaging 1.64m b/d in 1982, and experts say the goal of 1.8m b/d by 1984 is attainable.

Oil export earnings remain buoyant. After the 52 per cent rise to $16.4bn in the fiscal year 1980-81 ended in March, earnings for the current financial year are expected to rise again. Indonesia's benchmark crude from the Minas field still commands a $1.50 permium over the prevailing world benchmark price. Firm export demand has meant government income from oil has risen strongly, by 65 per cent last year to $11.2bn, and perhaps by another 10 per cent this year.

Exploration activity, after rising in 1980 for the first time in three years, rose still further this year. About 320 exploration wells are expected to be drilled this year, 62 per cent up on 1980 and well above the previous record of 231 wells drilled in 1974.

Investment in exploration and development is expected to rise to $3.5bn this year. The slump in confidence which followed in the wake of the Pertamina scandal in 1975 is clearly over.

The government target of negotiating 11 new contracts every year is likely to be bettered this year. Nine contracts have already been signed, with seven under negotiation.

With proven reserves already in excess of 9½bn barrels, just 19 of Indonesia's 40 distinct hydrocarbon prospective sedimentary basins have been explored.

Dr Subroto, Indonesia's Minister for Mines and Energy, calls the country's natural gas reserves "the card up our sleeve." The Natuna field, the size of which is yet to be confirmed, has reserves of at least 20 trillion cu ft, making it the third largest field in the world. Added to the 30 trillion cu ft already discovered at Arun in Sarawak and near Bontang in East Kalimantan, this gives Indonesia reserves that are likely to last for at least 25 years after oil runs out at the turn of the century.

Indonesia is already the world's leading exporter of liquid natural gas (lng) earning $2.3bn in fiscal 1980/81, and plans to double output by 1983.

Dr Subroto, Minister of Mines and Energy

General Joedo Sumbono, head of Pertamina

Three lng production units, called "trains," are already in operation, while two new trains are being built for sales to Japan, and one other is to be built for sales to Korea.

Taking all of these factors into account, Mr Richard Morford, energy expert at the U.S. Embassy in Jakarta and author of a comprehensive survey of Indonesia's oil and gas industry, concludes: "For the next few years, the prospects for Indonesia oil production look exceedingly bright."

The Government is nevertheless aware that it is dangerously over-reliant on oil and gas.

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It accounts for 25 per cent of gross domestic product, 72 per cent of the country's visible export earnings and 70 per cent of the Government's budget income. While trying to boost non-oil earnings, it realises it is vulnerable because of a number of factors:

● Domestic consumption of oil is rising at an annual rate of over 10 per cent, which means exportable surpluses of oil are likely to start falling after 1985. Indonesia is likely to become a net importer of oil in the mid-1990s. The Government accepts this rising trend in domestic consumption as "unstoppable". The country's 155m people now consume an average of just one barrel of oil per person per year — half the level of consumption in Malaysia, while the Japanese consume 16 barrels per head, and Americans 28.

● Indonesia's refineries can currently cope with just 400,000 bd, half the country's needs. So while it is a substantial exporter of oil, Indonesia in 1980/81 had to import refined products costing $1.83bn. The Government is now building or planning to build four new refineries (at Balikpapan in East Kalimantan, Cilicap in central Java, Dumai in central Sumatra and Merak in west Java) with the aim of reaching self-sufficiency in refined products by 1985.

● While current oil investment is high, the country is particularly vulnerable to a fall in investment. Most of its oil fields are small, and field depletion is rapid. Current levels of production can only be maintained by constant drilling for new fields, and by heavy investment in secondary recovery. Offsetting this worry is the remarkable success rate of companies exploring for oil. At present just under 50 per cent of wells drilled strike oil.

● The Government's subsidy policy for oil products sold domestically is felt to encourage profligate use of oil and to encourage growth of industries which rely for profitability on very cheap energy. It is also felt to discourage the search for gas for domestic use. If current levels of oil exports are to be maintained, then gas and gas-based products must increasingly replace oil in meeting domestic demand. At current exploration levels, this is unlikely to happen.

Despite the shadows cast by these worries, Dr Subroto remains doggedly optimistic, he feels oil experts should not be talking of an "energy crisis" but of an "energy challenge." With current world oil production at about 22m bd, he admits that demand is about 10 per cent short of this. In a recent seminar at Oxford University, he conceded that world demand for oil fell 5½ per cent in 1980, and that in 1981 "the trend has not yet reversed." He feels too that "present slackness" is greater than many thought would be likely and may last longer. But he is confident that demand will recover.

Noting that the countries of the developing world now account for 20 per cent of world oil demand, he argues: "Growth outside the OECD (Organisation for Economic Co-operation and Development) will make an increasingly significant contribution to the global demand for oil."

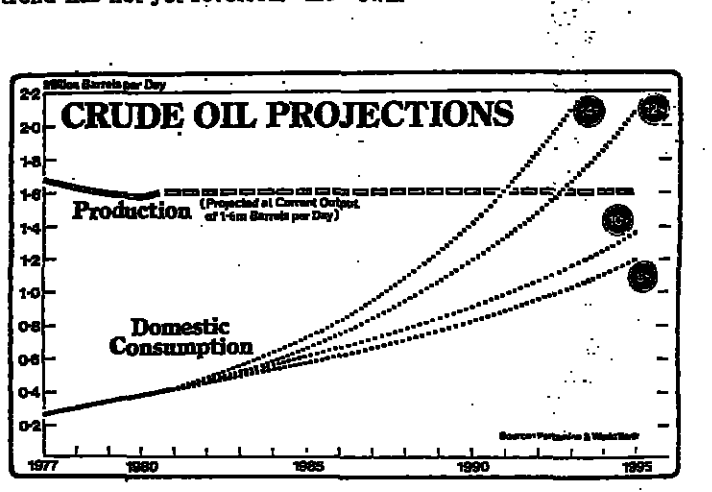
Less concerned about a fall in oil prices (he predicts a fall in real terms in 1982 and 1983 with a slight increase thereafter) he is worried most of all by the erratic movement in oil prices over the past decade which has made Indonesia's economic planning almost impossible. He is willing to accept a lower real price for oil over the next two years if in exchange he wins longer-term price stability.

Stagnating oil revenues will also have the virtue of encouraging the Government in its search for energy alternatives. Plans to develop the country's extensive coal resources are already advanced. More than 2½m tonnes a year is to be mined in South Sumatra to supply the $2bn Bukit Assam power project. Reserves in West Sumatra and on the east coast of East Kalimantan are likely to be developed.

Prospects for long-term development of geothermal power are also good. Indonesia has 138 active volcanoes in a "geothermal strip" 200 km wide and 1,700 km long. In 1982, the country's first geothermal power plant, of just 30 Mw, will be commissioned, and Dr Subroto sees a long-term potential to generate over 10,000 Mw using geothermal energy.

There is also extensive scope for development of hydropower. At present, coal, geothermal and hydroelectric energy account for less than 10 per cent of the country's current generating capacity of 2,700 Mw.

While the future is not without pitfalls and while the Indonesian Government bears a heavy responsibility to use judiciously the wealth oil and gas have brought, Indonesia must count itself among a favoured few countries in the world. There is no doubting that the developing world's many oil-deficit countries would give their eye teeth to swop Indonesia's problems for their own.



Deficiencies act as major brake

THE RUDIMENTARY state of Indonesia's infrastructure—ranging over its roads and railways, inter-island sea transport, electricity supply and telecommunications—is now a major brake on the country's economic development.

One World Bank official recently noted: "There is no question that the infrastructure is becoming a major constraint. You can't blame the Government; the economy grew at 9.6 per cent last year and has been growing faster than 7 per cent throughout the past decade. With that rate of growth increasing bottlenecks are inevitable."

The problems facing the Government are formidable. Indonesia comprises more than 3,000 islands sprawling for 5,000 km along the Equator. Much is dense tropical jungle. huge tracts are uninhabited and have never been mapped.

Much of the country's immense wealth is in remote parts of the country. Raw materials like oil, gas, coal, palm oil or timber sometimes have to be transported thousands of kilometres before they can be exported or put to use in domestic industry, much of which is concentrated on densely populated Java.

The country has 115,000 km of roads, but most are in Java, are unmetalled and can take only light traffic.

There are 6,800 km of railways, originaly built by the Dutch. Most of the network—70 per cent—is in Java and of metre gauge. The rest, in Sumatra, is 0.70-metre gauge and was traditionally used for transporting plantation crops to the ports. Investment has stagnated. The system still relies heavily on steam locomotives and tracks are in such bad repair that a maximum speed of 80 km per hour is in force throughout the network.

Inter-island shipping services are chaotic. With 46 major ports and over 300 listed ports and landing places, hun-

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dreds of private shippers carry freight and passengers between the islands. The tragedy early this year when hundreds drowned when the overloaded Tampomas II sank was a grim reminder of the poor state of inter-island shipping.

Even today only 14m of the country's 155m people have access to electricity. The target of providing electricity to 7 per cent of the country's villages by 1990 is unlikely to be met, according to the World Bank, despite plans to increase installed generating capacity by 16 per cent a year from 2,700 MW today to 11,700 MW in 1990.

The Government has given the highest priority to improvement of the infrastructure, not just because of the economic imperative but because of the need to strengthen national unity in this widely dispersed country and to bolster national security.

Throughout its three five-year plans—Repelita III began in 1978 — infrastructure spending has consumed about 15 per cent of the development budget—from Rp 342bn in Repelita I to Rp 3,000bn for the current plan period. The highest priority has always been given to road building and improvement, which accounts for an average 52 per cent of infrastructure spending.

This priority is endorsed by the World Bank. One official said: "Rural roads are what is desperately needed. At present the cost of transporting potential export crops like cassava from the farm gate to the ports is so high that they are simply not competitive. The price Indonesians pay for domestically produced food crops is far higher than necessary simply because of high transport costs."

The World Bank, sharing the Government's concern to improve infrastructure, is currently funding $1.5bn in projects linked to road-building, shipping, ports, power supply and urban development.

A plethora of projects is currently in progress. Roads throughout the country are being upgraded, ports are being improved and extended (as at Jakarta's main port, Tanjung Priok, where a container terminal is being built) and a new one built at Meneng in West Java.

The Government has recently allocated $525m plus Rp 93.5bn in counterpart funds for railway improvement in Java and Sumatra, mainly for bulk traffic like coal, palm oil and fertiliser. New locomotives are being bought, with coaches, goods wagons and new track. Steam trains should be replaced by diesel by 1990 and the Government talks of full electrification by the year 2000. A new airport is being built by the French at Cengkareng near Jakarta, costing $300m.

In addition, the country's transmigration programme, which had moved 13,000 families from overcrowded Java to outlying islands by the beginning of this year, has called for extensive road building and regional development.

The result of this activity has been unprecedented pressure on the country's construction industry. Construction accounts for 55 per cent of public development spending and has grown at 12.5 per cent a year in real terms for the past decade. While strains on the construction sector and shortages of construction materials might soon in themselves become a constraint on infrastructual improvement, the boom in this sector has provided valuable jobs at a time when job creation is one of Indonesia's most critical long-term problems.

While foreign economists and transport planners have praised the priority given to improving the infrastructure, they see no room for complacency. They complain that subsidies on public transport are applied erratically and inefficiently; that co-ordination of policy to provide complementary road, rail, sea and air transport is almost non-existent; and that there is no alternative but to spend even more money.

Until these problems are tackled, they say, improvements in agricultural and domestic industrial output will be retarded, regional development slowed and the Government's overriding aim of poverty relief frustrated.

Fickle prices expose critical weaknesses

FOREIGN TRADE
DAVID DODWELL

A SUDDEN deterioration in Indonesia's balance of international trade has brought into fine focus critical weaknesses in the country's trade-orientated economy.

While revenue from oil and gas exports has levelled off, *non-oil exports have fallen* steeply and imports have surged. The country's heavy overdependence on oil and gas exports has been highlighted, as has the danger of relying on primary commodity exports whose prices on world markets are notoriously fickle. Slow growth in the export of manufactured and processed goods has also been emphasised.

In 1980 oil and gas exports earned Indonesia $15.7bn, about 72 per cent of the country's total $21.7bn export earnings. But in the first nine months of 1981, according to figures recently published by the Bank of Indonesia, oil and gas exports, at $13.1bn, accounted for 81 per cent of export earnings totalling $16.2bn.

The shift accounted for by a dramatic fall in non-oil exports. During the first nine months of 1981 non-oil exports earned $3.05bn—about 66 per cent of the $4.61bn earned in the first nine months of 1980.

The decline is to some extent the result of deliberate Government policies. Income from timber exports has been more than halved from last year's $1.9bn because of an attempt to establish a domestic timber processing industry which will allow the country to export higher-value-added timber products like plywood and wooden construction materials. Palm oil income has slumped to 25 per cent of last year's $215m as the Government has forced domestic consumers to use domestically produced palm oil instead of imported coconut oil for cooking. Shrimp exports, worth $180m in 1980, have been cut back to conserve stocks.

But it also reflects depressed international demand for primary commodities. Earnings from rubber, $1.1bn in 1980, are unlikely to pass $850m this year because of weak prices. Earnings from coffee, $655m last year, will not reach $400m this year partly because of a severe cut in Indonesia's export quota and partly because of low demand for Indonesian robusta coffee, which is often of uncertain quality. A world depression in tin prices, only recently reversed, has seriously affected tin earnings.

Indonesia, however, is among a favoured few in a world of depressed economies. While future earnings from oil are uncertain (because prices are unlikely to rise as rapidly in the 1980s as in the 1970s and because domestic consumption will steadily eat into exportable output) there are nevertheless likely to be a basis for balance of payments stability for the decade to come, particularly when coupled with earnings from LNG exports, which are expected to increase rapidly after 1985.

The Government is nevertheless keenly aware that its immense earnings from oil and gas could lull it into a false sense of complacency. According to Mr Ali Alatas, one of the country's leading trade experts and currently assistant to the Vice-President: "We are still too dependent on oil and gas. Domestic consumption is rising steeply and the trend is unstoppable, so we must boost non-oil exports to ensure continued stability of export earnings.

"We are under pressure to develop manufacturing capacity, greater efficiency in production of certain exportable crops is essential. Meanwhile, we are extremely vulnerable, because our economy is in a transitional period."

This vulnerability has been highlighted by a surge in imports that has coincided with the current depressed export trend. Imports have risen by about 25 per cent in volume terms over the past year—though the strength of the Indonesian currency means import costs have not risen so fast. The cost of imports is expected to rise by just 14 per cent in real terms over the financial year ending March 1982 to about $15bn.

Equally significant, imports of capital goods have risen by about 20 per cent in real dollar terms—another trend which is unstoppable if the country is to establish the manufacturing base it lacks.

To some extent the decline in non-oil exports is due to the nature of the Indonesian economy. In Mr Ali Alatas' words: "We are still basically an inward-looking, import-substituting economy, only exporting surpluses." As one foreign economist more prosaically explained: "there is a very great risk of being lured by the siren-call of a large domestic market."

With a domestic market of 155m people and a keen desire to accelerate the growth of a manufacturing base, the temptation to nurture new industries with subsidised inputs and protect them against competition from abroad is often irresistible. While oil and gas ensure healthy export earnings, the need to match international standards of price and quality is not pressing.

The reorientation will not be painless, as the efforts to boost timber processing have shown over the past 18 months. Powerful vested interests are resisting tariff reform and simplification of import licensing procedures. Finding new markets for Indonesia's diversified exports will be difficult at a time of world recession. Indonesia is already more heavily dependent on a tiny handful of markets than most countries in the world. In 1980 Japan took 49 per cent of its exports, while three countries—Japan, the U.S. and Singapore—together accounted for more than 80 per cent.

The picture is similar for imports, with Japan, the U.S., Thailand, Singapore and West Germany accounting for 68 per cent. Reducing this dependence will be a slow and difficult process.

BALANCE OF VISIBLE TRADE
($bn)

	Oil and LNG	Non oil exports	Total exports	Imports	Balance
1975-76	4.5	1.9	7.3	7.4	−0.1
1976-77	6.3	2.9	9.2	8.8	+0.4
1977-78	7.4	3.5	10.9	10.2	+0.7
1978-79	7.4	4.0	11.4	9.8	+1.8
1979-80	11.3	6.2	17.5	13.4	+4.1
1980-81	16.4	5.5	21.9	17.8	+4.1

Sources: World Bank and Bank of Indonesia.

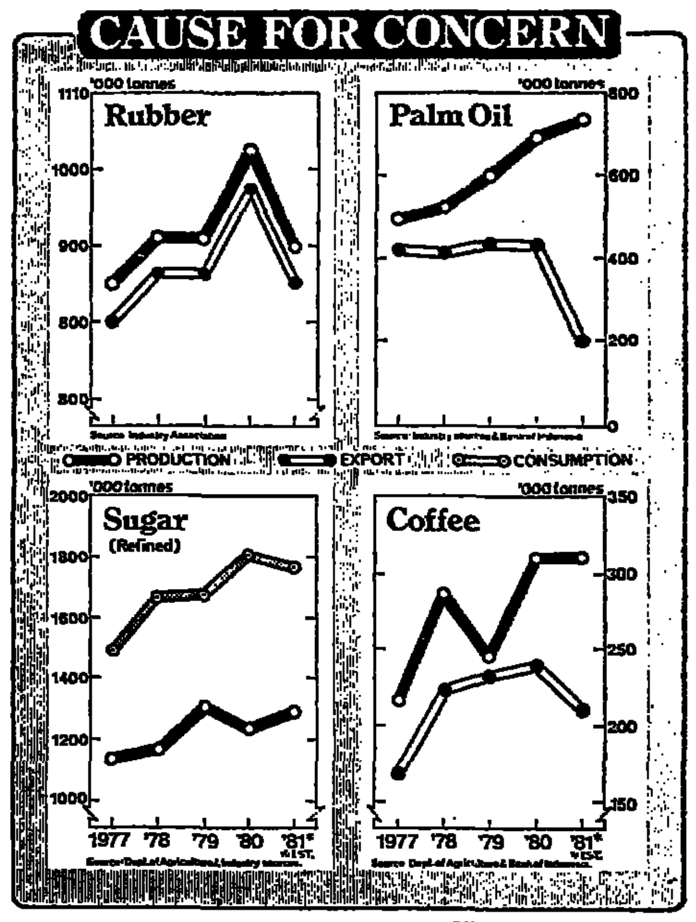
MAIN EXPORT MARKETS
($m)

	1979	1980	Per cent increase
Japan	7,192	10,781	50
U.S.	3,171	4,303	36
Singapore	1,964	2,484	26
Netherlands	399	415	4
Australia	241	403	67
West Germany	338	389	15
Italy	210	254	21
Philippines	165	181	10
Hong Kong	99	152	53
Britain	89	142	59

MAIN IMPORTS SOURCES
($m)

	1979	1980	Per cent increase
Japan	2,103	3,413	62
U.S.	1,028	1,409	37
Saudi Arabia	356	965	171
Singapore	536	936	75
West Germany	462	685	48
Thailand	219	288	32
Britain	198	261	32
France	143	236	62
China	132	197	50
Hong Kong	102	139	37

CAUSE FOR CONCERN



Ambitious plans to expand plantation crops

COMMODITIES
RICHARD COWPER

THOUGH FOOD for domestic consumption remains Indonesia's top agricultural priority the Government's desire to increase the country's non-oil export earnings has been instrumental in focusing attention more sharply on the country's traditional export crop sector.

There is also a growing realisation that a major expansion of the country's estate and smallholder plantation sector could play a sizeable role in helping to solve two of the country's most pressing problems—to create jobs and reduce poverty.

Government plans call for an investment of $16.7bn over the next decade to expand the area under rubber, palm oil, coffee, sugar, coconut and cocoa from an estimated 6m hectares now to 8.2m by 1990, and to rehabilitate around a third of the area currently under these crops.

Most agricultural experts regard these plans as wildly ambitious. They argue that it will be impossible to plant an area roughly equal to the size of say, Israel, in such a short space of time. The government's massive transmigration programme aimed at moving 2.5m people from overcrowded Java to the outer islands is expected to go hand in hand with the expansion of the country's cash crop sector, but many of these workers have spent most of their productive life engaged in rice production and have little or no experience of raising other crops.

The Department of Agriculture is expected to play a leading role in helping to open up new areas and advise and train these workers, but it is already hard pressed and few believe that Indonesia can produce enough skilled agricultural experts and extension workers over the next decade to manage such a giant venture.

Much of the land scheduled to be opened up consists of primary jungle in Sumatra and Kalimantan and infrastructural and social services will have to be built from scratch.

Though the task is enormous—and Government officials admit privately that they will be happy if they can reach 50 to 60 per cent of their targets—everyone is agreed that the programme is a welcome sign that after several decades the Government is at last making a major effort to boost output of Indonesia's cash crops.

By far the biggest drive over the next decade is expected to be made in rubber and palm oil, which along with coffee, make up the country's three top crop export earners.

Before the war Indonesia was the world's largest rubber producer, but since then it has fallen well behind Malaysia, its South-East Asian neighbour. Output has stagnated for much of the 1970s, largely because of ageing trees, poor inputs and bad management.

Rehabilitation of existing areas is thus a key part of the Government's $4bn programme aimed at boosting rubber output from around 900,000 tonnes now to 1.9m tonnes by the end of the decade. The plan calls for the rehabilitation of some 2.9m hectares and the addition of 500,000 hectares of new rubber land. To achieve this production will have to grow at around 7 per cent per annum, a target which will be extremely difficult to meet.

In contrast to rubber, palm oil output has grown rapidly in the last decade, providing one of the few successes in Indonesian plantations. Since 1970 the area under palm oil has more than doubled and production increased threefold to around 700,000 tonnes last year.

This impressive growth has been largely export-led. Foreign exchange earnings from crude palm oil exports grew sevenfold in the last decade—from $36m in 1970 to $254m in 1979. Government plans call for a $4bn investment to more than double current output by the end of this decade, but this could be hampered by the recent introduction of a new policy forcing producers to sell a substantial proportion of their output on the domestic market at fixed prices. The Government's bid to increase domestic processing and push domestic cooking oil manufacturers into switching from coconut oil to palm oil has caused crude palm oil exports to drop by more than half in the last two years.

Few experts expect output to grow by more than 10 per cent a year, which contrasts with the 12 per cent envisaged by Government planners. Taking the more conservative forecast Indonesia should be producing around 1.6m tonnes by the end of the decade, maintaining its position as the world's second largest producer.

When it was the Dutch East Indies, Indonesia was a major sugar producer, reaching a peak of 3m tonnes in 1929. At that time it was the world's largest sugar exporter after Cuba. Today production is a mere 1.4m tonnes and Indonesia has had to import increasing quantities over the last decade.

In a bid to reverse this position the Government has embarked on a $2bn programme to boost output to 3.4m tonnes by the end of the decade. Few, however, believe that Indonesia will ever again become a major exporter.

In the case of coffee, plummeting world prices and a sizeable cut in Indonesia's internationally agreed export quota appear to have forced Indonesia to abandon, at least temporarily, plans for expanding the acreage.

More jobs and food—the uphill task

POVERTY

RICHARD COWPER

Beggar woman in a Jakarta supermarket—happily a less common sight than ten years ago

INDONESIA REMAINS one of the poorer countries in the world despite its large reserves of oil and gas, its abundance of natural resources and a government which has achieved a decade of rapid economic growth.

Between 30 and 50 per cent of the country's 1981 population of around 155m live below the poverty line, depending on the measurement used.

With average income per head at about $400 a year, Indonesia has crept towards the top of the World Bank list of low income countries which make up the poorest group in the world, but this figure disguises the more sobering fact that an estimated 60m Indonesians each consume the equivalent of less than $100 of food and goods a year.

With around 3m new mouths to feed and 2m jobs to find each year, few would care to predict just when Indonesia will join its neighbours from the Association of South East Asian Nations in the Bank's middle income grouping.

Although Indonesia is still a food deficit country, the Government's well managed food policy has ensured that the country has remained free from the threat of famine.

There are serious inequalities in consumption patterns, but in the words of one international aid expert: "Indonesia is not like India or the Sahel region in West Africa—you rarely see beggars or starvation in the streets. There may be malnourishment in some areas, but somehow most people are just making it."

The same cannot be said however for many of the country's infants. Of the 5m or so new babies born every year, an estimated 900,000 die before they reach the age of five, despite improvements in general health and a welcome 25 per cent decline in infant mortality since 1971.

Indonesia still has just one doctor for every 13,000 inhabitants (compared to an average of one to 4,000 for middle income countries) and more than 100m people do not have access to safe drinking water.

Given the close correlation between levels of education and living standards, the Government must be praised for having made great strides during the 1970s in primary education, but this still leaves 35m of the 90m inhabitants aged 15 and over unable to read or write. The sheer scale of resources and effort required is striking. This year alone the Government says it has built 15,000 primary schools and added 25,000 classrooms to existing ones.

Almost 90 per cent of the 25m or so children between the ages of seven and 14 now attend primary school, but secondary education in Indonesia still lags far behind much of the rest of the world.

Only 22 per cent of the 16m or so children aged 15 to 19 attend school. Given the widespread shortage of skilled workers, agriculturalists, managers and technicians in both the rural and urban economies, a major expansion of both secondary and tertiary education is essential if living standards are to be raised and economic growth is to be maintained.

Since 1970 the Indonesian economy has grown at the impressive rate of 8 per cent a year. What is less clear, however, is just how this new wealth was distributed and to what extent, if at all (given the 30m increase in population between 1971 and 1980) the poorest segment of Indonesia's population is better off today than it was ten years ago.

The scarcity of reliable data and the shortage of field studies makes definitive analyses virtually impossible but most experts appear to agree that the available evidence shows that the gap between the comparatively well-off and the poor—both in terms of consumption and wages—appears to have widened, particularly in urban areas.

This does not mean, however, that the poor—around 70 per cent of whom are to be found on the overcrowded island of Java—are worse off today than ten years ago. In a 1979 report on employment and income distribution the World Bank found that in the first half of the 1970s there had been "substantial increases in real per capita consumption levels and a discernible decline in the trend of real wages for unskilled labour." The Bank said that this was true for both urban and rural areas and had been accompanied by "a reduction in both the proportion and absolute numbers of the population at extremely low levels of per capita consumption." The Bank's conclusion was that on average Indonesians were eating more in 1976 than they had been at the beginning of the decade and that poverty in general had been declining, though slowly.

The Bank was quick to point out, though, that Indonesia remained an extremely poor country. In 1976 an estimated 40 per cent of the population was subsisting on consumption equal to less than $90 a year, the minimum needed to meet basic protein requirements. In rural Java, where today around 70m of the country's population live, the poorest 10 per cent were living close to destitution on the consumption equivalent of less than $34 a year. According to the 1978 social survey (Susenas) there was little or no improvement for the bottom 40 per cent betwen 1976 and 1978.

Field observations indicate that record rice crops in 1980 and 1981 coupled with a sizeable increase in the Government's special social infrastructure programmes (Inpres) may have boosted consumption levels among the rural poor over the last two years, but as yet solid statistical evidence is not available.

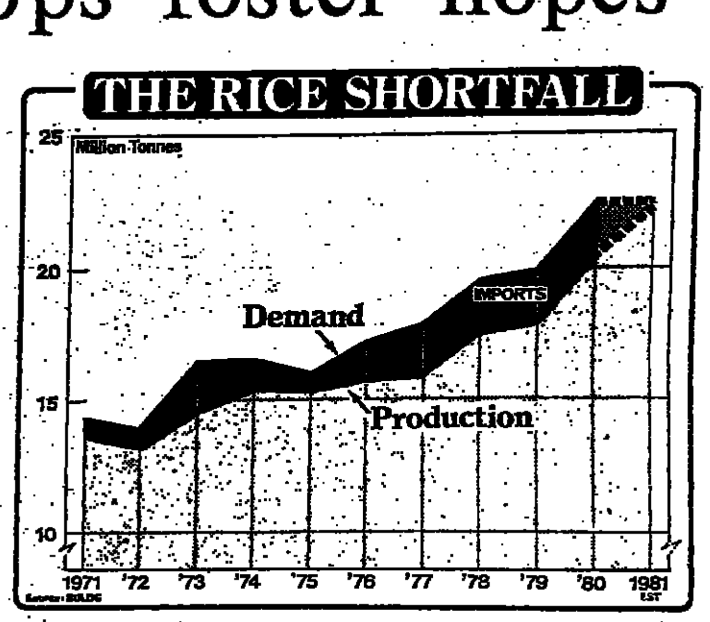
The Government has done well against considerable odds, but with more than 20m new jobs to create and 30m new mouths to feed over the next ten years it is not easy to be optimistic. As one aid official with experience in a number of poorer developing countries put it: "My impression is that Indonesia today is in relatively good shape, but I see every sign that wages will remain flat over the next decade because of the difficulties of creating enough jobs fast enough. My fear is that the number of poor could increase, both absolutely and relatively, in the next 10 to 20 years."

Bumper rice crops foster hopes

FOOD PRODUCTION

RICHARD COWPER

THE RICE SHORTFALL



Production gains among most food crops have remained depressingly small, but record rice crops two years running have brought the country to the brink of self-sufficiency in this, the nation's staple food

RICE HAS reigned supreme among the agricultural crops that have preoccupied the minds of the rulers and subjects of this, the world's third largest developing country, ever since Indonesia gained its independence from the Dutch in 1949. An estimated 80 per cent of the country's 155m population is either directly or indirectly involved in rice production and marketing, and from the simplest villager to the highest Javanese official a meal without rice is almost unthinkable.

For three decades the Government's food policy was synonymous with policy on rice. Though today the technocrats responsible for running Indonesia's economy talk of "overall food self-sufficiency" as their foremost development target, it is clear that it is self-sufficiency in rice production that remains their most cherished goal.

Until very recently, however, this seemed set to remain no more than a dream. Despite steady gains in production from the mid-1960s onwards the inexorable growth of the country's population and the continuing upward trend in per capita demand pushed this target further and further from the Government's reach.

From 11.7m tonnes in 1968 production grew at an average annual rate of just 4 per cent to 17.9m tonnes by 1979. In the same period demand grew from 12.3m tonnes to 19.8m tonnes—which meant that each year demand grew on average 13 per cent faster than production. Average annual imports jumped from around 900,000 tonnes a year in the first half of the 1970s to 1.8m tonnes in the second.

For much of the 1970s Indonesia was the world's largest rice importer, accounting for around a third of international trade. By 1979 the Government was having to import a record 2m tonnes of rice to feed the nation. In the last two years, however, there has been a remarkable turnaround, which if Ministry of Agriculture statistics are correct has brought the country to the very brink of self-sufficiency in rice.

In 1980 production shot up to an all-time record of 20.3m tonnes—an unprecedented annual increase of 13 per cent from the 17.9m tonnes produced the year before. The size of the increase, experts said, was partly explained by the poor 1979 crop. But this year, according to Professor Soedarsono Hadisaputro, Indonesia's Minister for Agriculture, production is expected to reach 22.2m tonnes—an increase of 24 per cent in just two years and more than three times the average annual increase during the first eight years of the decade. For the first time in many years Korea and not Indonesia will be the world's largest importer of rice.

Some experts are puzzled as to just how production could have increased by 4.3m tonnes in the last two years—a jump in tonnage equivalent to the increase in production between 1971 and 1979. Indonesian statistics can be notoriously unreliable and some observers have been quick to point out that the nation goes to the polls next year. Exaggerated production claims quickly become self-evident, however, and with a presidential election due in 1983 it seems unlikely that the Government would take such a risk.

Both 1980 and 1981 had unusually favourable weather while at the same time disease-resistant seed was almost 100 per cent effective in holding down pest damage. Last year also saw the start of a new rice intensification programme. These three factors together appear largely to explain the excellent results in the past two years.

If the Ministry's estimate for 1981 is correct — and virtually all of this year's crop is already in — Indonesia will probably become self-sufficient in rice during 1982. The country's national food agency Bulog says that imports this year were the lowest for a decade and the agency expects to be holding record stocks at the end of the year of 2.5m tonnes. Based on available per capita consumption of 134 kg in 1980 Indonesia may be in a position to do without any imports at all in 1982 and still maintain enough stocks to protect itself against a poor crop.

Despite the current optimism at Bulog and the Department of Agriculture, officials are quick to point out that true self-sufficiency requires an average production over a number of years equal to demand plus a sufficient surplus to cover possible crop failures caused by drought or pest. While this year's production meets these requirements rice output will probably need to grow at around 6 per cent per annum or more if Indonesia is to remain self-sufficient in coming years.

During the past decade output increased at an average of around 4.5 per cent per year. It will be difficult to improve on this performance in the 1980s because in many of those areas most suited to rice cultivation the major once-for-all gains through improved yields and irrigation have already been made. Much will depend on the success of Government attempts to increase production outside Java in association with its ambitious trans-migration programme which aims to move 2.5m people from overcrowded Bali and Java to other islands.

With population growth higher than anticipated just two years ago and per capita consumption continuing to expand, total demand for rice could reach 27m tonnes by 1985. On the reasonable assumption that Indonesian farmers will increase rice production at about 4 per cent a year, Indonesia would have a shortfall of 1m tonnes by then.

One key variable which makes forecasting demand extremely difficult is the elasticity of demand for rice as incomes rise. Since 1970, for instance, per capita rice consumption has increased by around 30 per cent. Here the Government could try to limit the growth in consumption by attempting to persuade Indonesians to vary their diet.

Indonesia has spent a very large amount of money and resources on improving rice production in the last decade. The fertiliser subsidy alone over the past eight years has amounted to more than $1.6bn, while expenditure on new and improved irrigation has reached around $1.5bn. Despite these outlays, however, the country's food import bill has continued to climb (from around $500m in 1970 to an estimated $1.7bn last year). By far the largest proportion of this has been accounted for by imports of rice, sugar, wheat and soyabeans.

There is a growing realisation that the Government's obsession with improving rice production has been to the detriment of a number of other key food commodities. Recognising the poor achievements in production of non-rice food crops over the past decade, the Government has recently replaced its rice self-sufficiency policy with one which aims at total self-sufficiency in staple foods. Indonesia's yields of most other staple foods remain far below those in other South-East Asian countries and for the majority of these crops high-yield, disease-resistant strains suitable to Indonesian conditions have yet to be developed. Those special programmes that have been initiated have more often than not suffered from insufficient investment of time, money and skills.

The Government has recently embarked on a multi-billion-dollar sugar self-sufficiency programme, but much needs to be done as well for a whole host of other staple crops like soyabeans, cassava, corn and sago. Indonesian food technologists will also need to work hard to create new products from these commodities that are acceptable to the normally conservative Indonesian consumer. If this is done it seems quite possible that they can be weaned away from rice and wheat, imports of which have proved so costly to the Indonesian nation, giving Indonesia a sporting chance of achieving the rice self-sufficiency goal that has eluded it for so long.

Optimism dimmed by controversial World Bank report

FOR INDONESIAN industry 1981 may well be remembered as the year the Government signed more multi-million dollar contracts for new capital-intensive industrial plant than at any previous time in the history of President Suharto's "new order" regime. It will also be remembered as the year the World Bank produced a report which called into question some of the most basic tenents of Indonesia's industrial strategy.

Disappointed by the poor response of foreign investors and buoyed by the income from the near-doubling of oil prices in 1979 and 1980 the Government seems to have decided at the end of last year that the time for talk was over. At a cost of around $10bn it committed itself over the past 12 months to setting up a sizable petrochemicals industry, a doubling of its liquefied natural gas output and a massive expansion in both fertilisers and cement.

At the same time it took a number of policy measures which it believed would turn Indonesia into the world's largest exporter of plywood and give the country its own commercial vehicle manufacturing industry. There seems little doubt that these commitments will have a profound bearing on the pattern of Indonesia's industrial growth for the next decade and more.

The sense of optimism and movement that these developments inspired among planners at the Ministry of Industry and at the State Planning Body (known as Bappenas) were rudely shattered by the controversial World Bank report which raised fundamental questions about the direction of Indonesia's industrial strategy. The report accused the Government of a serious misallocation of resources which it argued was effectively preventing the development of a viable and broadly based manufacturing sector.

The Bank cast some doubt on the wisdom of the Government's investments in highly capital-intensive sectors, but more pointedly said that a rapid growth in Government intervention over the past five to seven years had created a protectionist and burdensome regulatory system which was stifling growth of the private sector. The Government's most important task was to implement a wide range of structural reforms in the field of tariffs, taxation, commercial law and the financial sector.

At the heart of the World Bank's argument was the pressing need for deregulation and a reduction of Government involvement in the minutiae of industrial planning. The Bank emphasised the need to create an environment conducive to increasing productivity and competitiveness and giving greater encouragement to the private sector.

The report gave rise to a lively and often acrimonious debate between the technocrats who run Indonesia's economy and the World Bank team which compiled the report. Many of the nation's economic planners looked back with pride on the achievements of the previous ten years.

In statistical terms manufacturing production has been the fastest growing sector in the Indonesian economy during the last decade. In the first half of the 1970s it grew at 15 per cent per annum (in real terms) and in the second half—even from a slightly broader base—grew at a healthy rate of 13 per cent per annum. Last year it grew at 21 per cent, capping ten years or rapid growth by outperforming all other sectors of the economy.

That said, however, for a country the size of Indonesia the manufacturing sector is still extremely small and underdeveloped, and Indonesia seems likely to remain primarily an agricultural country until well into the next century.

According to the Asian Development Bank, in 1978 manufacturing accounted for just 9 per cent of Indonesia's Gross Domestic Product, compared with 15 per cent of India's and 30 per cent of China's (Indonesia is the world's largest developing country after India and China in terms of population). In absolute terms both Hong Kong and Singapore have manufacturing sectors larger than that of Indonesia. In per capita terms, value added in manufacturing in Indonesia is far below the levels of the four neighbouring Asean states, Thailand, Malaysia, Singapore and the Philippines.

INDUSTRY

RICHARD COWPER

The modern segment of Indonesia's manufacturing sector employs just 1m people out of a labour force estimated at over 55m. Even if growth rates in this sector are high it will only absorb a small proportion of the 2m or so new entrants on to the labour market each year.

The World Bank and the Department of Industry now appear to have abandoned the argument that the modern manufacturing sector (as opposed to cottage industry) will play a key role in helping to solve Indonesia's massive underemployment problem. "In the next 10 to 15 years it is clear that agriculture and public works will have to play the key role," says Mr A. R. Suhud, Indonesia's Minister for Industry.

Despite their anti-Communist attitude, many in the Government are distrustful of foreign investors (largely because of the country's history as a Dutch colony).

It is the Chinese who have such a stranglehold on much of private manufacturing. A plethora of rules and regulations administered by an unwieldy and sometimes corrupt bureaucracy has slowed down industrial growth in much of the non-state sector. Poor infrastructure and lack of a skilled workforce have undoubtedly exacerbated problems, but constraints arising from what many see as a recent reversion to a more nationalistic and bureaucratic approach and a distrust of *laissez-faire* economics have also hindered growth.

The largely capital-intensive state sector has led industrial growth in Indonesia and this pattern is, with a number of important exceptions, likely to continue in the foreseeable future.

The Government's strategy is to encourage the development of those industries where Indonesia has a comparative advantage. These include oil and natural gas, fertilisers, petrochemicals and refining. The Government is also keen to develop domestic industries based on hitherto largely unprocessed exports of local commodities like timber, palm oil and rubber.

Lastly, and perhaps more controversial because of the economics of scale involved, Indonesia has ambitious plans to develop its metals and machinery-based industries, linking the giant $2.7bn Krakatau steel complex to the manufacture of vehicle engines and ships and a whole range of industrial products. The Government also hopes to see the $2bn Asahan aluminium smelter project give rise to a number of downstream industries which might ultimately be linked to a massive investment in aircraft manufacture now under way in the city of Bandung.

A foretaste of some of the problems that the Government may have to face can be seen in the steel industry. The Ministry of Industry is now struggling to make viable the Krakatau steel complex. Output is unacceptably low and costs high, leading to a loss of around $250m a year.

The relatively small size and narrow base of Indonesia's manufacturing sector means that it is still very much a series of modern enclaves in the midst of a predominantly traditional agricultural and cottage industry economy. The Government believes that its role is to step in at the top end of the scale in a bid to help create the basis for a much deeper and broader self-sustaining structure. But it will have to give much more attention to creating the right skills, infrastructure and business climate for private and foreign investors to set up light engineering and downstream plants before industrial development is to become self-generating on the scale of the Government envisages.

Mr A. R. Suhud, Minister for Industry — seeking solutions to Indonesia's massive underemployment problem

Surging ahead at the rate of 3m a year

THE SPECTRE of Malthus continues to stalk Indonesia's economic planners. In January this year President Suharto announced the preliminary results of the country's first census since 1971. They showed that despite more than ten years of intensive family planning the country's population had grown around 25 per cent faster during the decade than most experts had forecast.

The census showed Indonesia's 1980 population as 147.4m. If allowance is made for the normal 3 to 5 per cent undercount the country's population was probably 153m, around 9m more than the figure being used by Government planners, the World Bank and U.S. aid officials just a year ago.

This means that Indonesia retains the doubtful distinction of being the world's fifth most populous nation after China, India, the Soviet Union and the U.S. It also means that in per capita terms the country is poorer and less productive than was thought just twelve months ago.

With these 9m more people to provide with basic social services, health, educational facilities and food the challenge of improving living standards is made that much more difficult. Moreover, the population may now be growing by more than 3m a year, or 500,000 more than anticipated. The census underlines the urgent need for even greater efforts to expand the country's family planning programme, even though it is regarded by many international family planning experts as among the best in the developing world.

The census was not all bad news, however. It now seems clear that the faster than forecast growth increase in population during the 1970s was primarily the result of a fall in the death rate, which would seem to indicate that under the new regime there has been an improvement in nutrition, public welfare and health, and a moderate increase in life expectancy from 47 years to 51 years.

The death rate fell 33 per cent from an average of 19 per 1,000 in the 1960s to 13 per 1,000 in the 1970s, while the average birth rate fell just 8 per cent from 39 per 1,000 to 36 per 1,000 in the same period, according to the Central Bureau of Statistics. If correct these figures show that the average 2.3 per cent population growth per annum in the 1970s (some 30 per cent higher than forecast by the World Bank in its 1980 World Development Report) was because people were living longer and not that they produced more children.

POPULATION

RICHARD COWPER

When the census results were announced in January many were quick to argue that the country's family planning programme *had failed*. The census in fact indicates the contrary—that it has met with considerable success, especially on Java, but that these efforts were outweighed by an extraordinary drop in infant mortality from 140 per 1,000 in 1971 to around 100 per 1,000 in 1980. Tentative analysis of the census indicates that during the ten years that the country's family planning programme had been in operation the birth rate dropped nearly 30 per cent from 45 per 1,000 in 1971 to 32 per 1,000 in 1980.

This suggests that a high population growth rate of, say, around 2.7 per cent in the first half of the 1970s fell rapidly as the family planning programme began to yield results in the second half, giving an average for the decade of 2.3 per cent. This means that the widespread belief among family planners and demographers that the current population growth rate is 2 per cent or less is not, as many post-census sceptics have suggested, an underestimate.

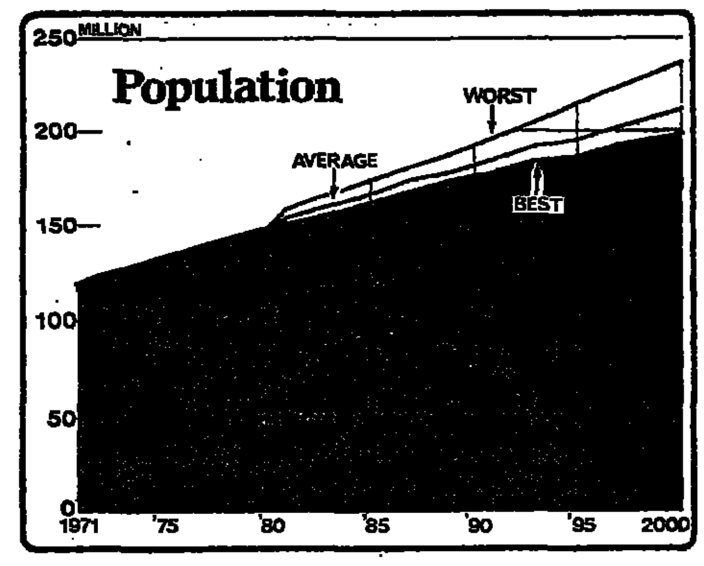
In East Java, an area which accounts for around 20 per cent of Indonesia's population and where there is an intensive family planning effort, two recent surveys (May 1980 and May 1981) indicated that the birth rate had declined to 24 per 1,000, and the death rate to around 10 per 1,000 by 1980, giving an overall for the area population growth rate of 1.4 per cent.

These two detailed surveys confirm the picture received by the nation's Family Planning Association in its monthly computer returns from villages throughout the province and have made international population experts more confident than ever about the claims of a major reduction in births in overcrowded Java and Bali.

When the family planning programme started in 1971 the percentage of married women using contraception was just 2 per cent. Today an estimated 36 per cent use modern contraceptives, and on Java/Bali, *which together account for around 64 per cent of Indonesia's total population, it grew from 3 per cent to 47 per cent* in the same period. In 1971 the Government spent a mere $5m on the programme; by this year outlays had grown to $106m.

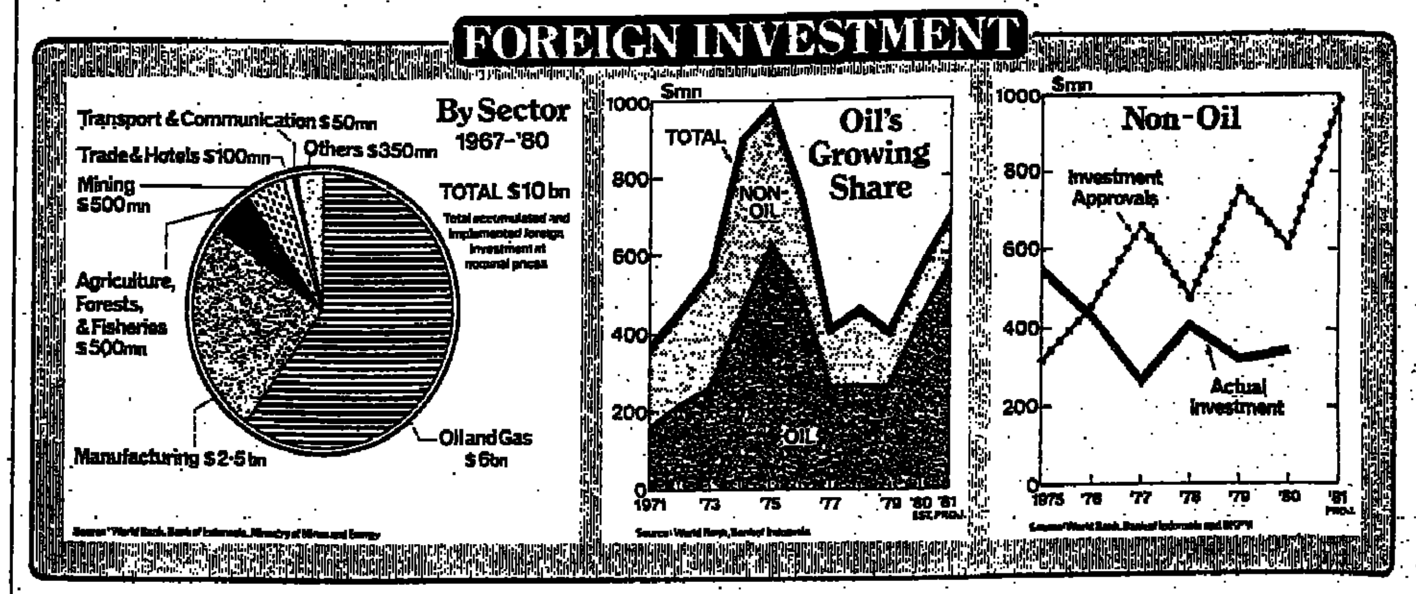
No matter how successful the programme turns out to be, however, the problems faced by the Government remain daunting. The two islands of Java and Bali, with average densities of 681 people per sq km, are among the most densely populated areas in the world. If the U.S. had the same population density as Java it would be housing the world's total population of 4bn.

Indonesia's population will increase by at least 50m people over the next two decades. At worst it may increase by almost 100m. Whatever the outcome the Government will have to feed, clothe and house around 3m additional citizens every year for the foreseeable future—which means that it has to *run just to keep standing still.*



Projections are based on the following assumptions. "Worst" — a 5 per cent undercount in the 1980 census and population growth of 2.2 per cent per annum for the rest of this century. "Average" — a 3 per cent undercount and population growth of 1.8 per cent per annum this decade and 1.5 per cent in the next. Population doubles in 40 years. "Best" — a 2 per cent undercount and population growth of 1.6 per cent this decade and 1.3 per cent in the next. Population doubles in 47 years

INDONESIA VIII



Spending by oil and gas sectors leads the way

FOREIGN INVESTMENT
RICHARD COWPER

FOREIGN INVESTMENT in Indonesia's oil and gas industry has grown in leaps and bounds over the last two years and in real terms is now approaching the record levels which prevailed in the middle of the last decade following the first Opec oil price boom. Foreign investment in the non-oil sector, however, has continued to be disappointing, with the important exception of wood processing and chemicals.

The sharp increase in oil prices in 1979 and 1980 spurred a sizeable increase in outlays by foreign oil companies on exploration, production and new facilities, and their spending has more than doubled in the last two years from $1.2bn in 1979 to an estimated $3bn this year. In the same period investment in the oil industry roughly trebled from around $500m in 1979 to an estimated $1.6bn this year. This means that in real terms foreign oil companies are now investing at the record levels which occurred before the Pertamina crisis of 1975 and the subsequent renegotiation of production sharing contracts in 1976—events which caused many companies to halt their expansion plans in Indonesia.

In a country where oil and gas account for virtually 70 per cent of exports and around 70 per cent of the budget it is hardly surprising that it is these two commodities that dominate foreign investment. Of the $10bn or so that foreigners invested in Indonesia between 1967 and 1980 around 60 per cent, or $6bn, went into oil and gas.

Though the Government has welcomed the recent surge in foreign investment in oil and gas there has been increasing concern that the country may have become too dependent on the petroleum sector, and should do more to reverse the declining trend in non-oil investment.

The dramatic rise in oil prices during the 1970s may have made the country a victim of the "Dutch disease," lulling the Government into a false sense of security. This, it is argued, has allowed the Government to postpone (if only temporarily) crucial decisions needed to encourage faster growth in plantation and manufacturing output which would help to create a more balanced economy and help establish a broader and less vulnerable economic base.

The oil windfall of the 1970s has also allowed the Government the questionable luxury of playing an increasingly interventionist role in the economy which has given rise to a plethora of regulations and controls that have in the last five or six years proved a powerful disincentive to foreign investors in the non-oil sector.

Over the last two years Bappenas, the country's economic planning board, has sent a series of top level investment missions to Europe and North America in a bid to attract more non-oil investment but the results so far have not been encouraging. The proportion of new foreign investment accounted for by the non-oil sector has declined quite sharply in the last three years. Between 1976 and 1978 new non-oil investment accounted for around 40 per cent of the total; in the last three years it has accounted for just 25 per cent.

Though there have been some signs of a pick-up in the volume of non-oil investment applications over the past two years, implemented investment in this sector has not recovered in real terms to the levels recorded in the first half of the decade and shows little sign of doing so. If 1979 and 1980 are taken together foreign investment approvals averaged around $550m at constant 1970 prices compared with an average of $620m a year in the first half of the 1970s and an average of around $400m a year for the second half of the 1970s.

Actual implementation reveals a more depressing picture. According to the Bank of Indonesia realised foreign investment in 1979 and 1980 averaged around $140m in real terms, less than half the average for the first half of the decade and 20 per cent less than the average for the second half of the decade.

The reasons for this decline are documented at length in an unpublished World Bank report written last year and entitled "Direct Private Foreign Investment." The Bank says: "The numerous controls and restrictions placed on foreign investment since 1974 coupled with weaknesses in the tax system and in the legal and commercial infrastructure have led to a serious decline in foreign investment in Indonesia since the mid-1970s.

Despite the advantage of Indonesia's large potential domestic market, the absence of foreign exchange controls, the availability of a large strike-free and cheap labour force and the very high profitability of existing companies the World Bank says that potential foreign investors have been frightened away by the high costs generated by a maze of controls and the widespread corruption they have helped to foster. As the result much of the investment since 1975 has been expansion of existing companies. Because of their experience and long-standing connections such companies have been better able to cope with the increasing complexities of doing business in Indonesia.

Many of their technocrats who run the country's economy are well aware of the problems but the feeling of ambiguity towards foreigners runs deep. Mr Anwar Ibrahim, the deputy chief of Indonesia's investment co-ordinating board BKPM says: "Yes, we could open up the taps and the figures would shoot up. But this doesn't suit our development policy. The open door policy of the early 1970s is over. Now we would like foreigners to come in on specific projects that we can't do alone and that are essential to our economic development."

Despite the slowdown in foreign investment in the non-oil sector overseas companies still play an important role in Indonesia's manufacturing sector. Though up to date figures are hard to come by, foreign companies in 1974 accounted for around 20 per cent of output, over 30 per cent of value added and 10 per cent of the labour force in the manufacturing sector.

Measured in turnover per company, foreign companies were on average twice as large as public sector companies and more than seven times as large as domestic private companies. Over 60 per cent of non-oil foreign investment is in the manufacturing sector, of which by far the largest is concentrated in textiles, chemicals and metal products.

The Government hopes that the major growth areas for foreign companies over the next couple of years will be:

- The timber processing industry (as Indonesia continues its drive to eliminate log exports and replace them with plywood and sawn timber);
- the downstream chemical sector (as plans to set up a basic chemicals industry based on natural gas begin to take shape);
- metal and metal working (as the giant aluminium smelter at Asahan comes on stream and the Krakatau steel complex expands);
- the plantation sector (provided that some stringent Government regulations are modified);
- the field of energy, as Indonesia attempts to reduce its dependence on oil by increasing output of coal, geothermal and hydro-electric power.

The government's high hopes for the chemicals industry received a major boost this autumn when the U.S. oil giant Exxon reached agreement in principle with the Government to make a major investment in a $1bn Olefins petrochemicals plant. BKPM statistics also show that interest among foreigners in the downstream chemicals industry has been rising rapidly. Foreign investment approvals in chemicals for the first six months of the 1981-82 financial year jumped by 26 per cent to $186m, compared to the corresponding period of 1980-81.

Interest in paper and timber processing is also high. Approved investment in the first half of 1981-82 at $165m more than trebled from the $44m which was approved in the corresponding period the year before. But there has been little or no new investment in the crucial plantation sector, and there must also be grave doubts as to whether foreigners will be prepared to become involved in the downstream steel industry which is likely to be based on domestically produced crude steel, the cost of which is widely regarded as prohibitively high.

With many other sectors now closed to foreigners for domestic political and economic reasons, the Government is concentrating on attracting foreign investment in those industries which generally require large capital funding and sophisticated technology but on the whole do not yield quick returns. Given the problems faced by foreign investors in Indonesia there must be some considerable doubts as to whether the Government's expectations will be fully met.

A community wary of political involvement

THE CHINESE
DAVID DODWELL

RIOTERS WROUGHT havoc two months ago in the Chinese quarter of Aceh, a strongly Moslem community in Sumatra. Although considerable damage was done to property no-one was killed—unlike as in central Java a year ago when at least eight people were killed in riots that raged for a week.

"To some extent the protests were based on dissatisfaction with the Government," said Mr Yusuf Wanandi, of Indonesia's Centre for Strategic and International Studies. "But it has to be significant that riots, when they erupt, are almost always aimed at the Chinese."

Indonesia's Chinese community is tiny, probably no more than 3m out of a total population of 155m, but its economic significance is immense. Concentrated in Indonesia's main cities, the Chinese had until recently a virtual monopoly of business and manufacturing in the country. Even today they manage a large share of the business interests of Indonesia's ruling elite.

The community differs from those in neighbouring Malaysia and Singapore in that it has been established in Indonesia for over 300 years. There was even at one time a tiny Chinese kingdom in West Kalimantan. Some Chinese speak Indonesian as their first language even in the home.

But the great majority live a life apart from the rest of the community. They seldom mix socially and rarely marry outside their race. They are further set apart by the fact that few Chinese supported or became involved in the independence movement aimed at overthrowing Dutch colonial rule.

The Chinese often see themselves as "both scapegoat and milchcow": a convenient target for discontented groups no matter what the issue and milked of their wealth by bureaucrats and officials whenever they seek licences or manufacturing approvals.

Dislike of the Chinese runs much deeper than mere resentment of their comparative wealth. It is mixed with a profound suspicion of mainland China and feeds on the memory that China's Communist Government is thought to have played a mischievous role in the attempted coup in Indonesia in 1965. In the purge that followed the coup, in which untold thousands of suspected Communists were killed or imprisoned, many Chinese suffered.

Since the purge the Chinese have become more wary than ever about involvement in politics and have consciously kept a low profile. It would therefore be impossible to see Indonesia's Chinese community as a threat to national stability or unity—in clear contrast with neighbouring Malaysia, where the Chinese make up a much larger minority.

The new order Government of President Suharto has introduced numerous economic changes aimed at improving the role of Pribumis (indigenous people) in business and at reducing the glaring gap between rich and poor in Indonesia.

This has lead to a dilution of the Chinese monopoly of business. Positive discrimination in favour of the Pribumis has led to many more indigenous Indonesians taking up places in the country's universities, technical colleges and business schools.

In many areas of manufacturing and processing industry pribumis are now given preference. At the same time the Government has expanded the public sector, becoming much more directly involved in industry and acting as a proxy for the pribumis, who unlike the Chinese rarely have sufficient capital to invest in new industrial ventures.

At a government-to-government level uncertain progress has been made in improving relations with mainland China. Of the 1m stateless Chinese resident in Indonesia about half are still waiting for citizenship. At the same time the Chinese Government still ignores demands for the withdrawal of support from Communist movements in Malaysia and elsewhere in the region. It refuses to act against Indonesian Communist exiles living in Peking.

The two countries still lack formal diplomatic ties but Indonesia's Foreign Minister, Dr Mochtar Kusumatmadja, makes light of this: "As far as diplomatic relations are concerned, in effective terms we have them," he said. "We talk with the Chinese in international forums and we support them when we have common objectives. Relations are almost normal. All that's lacking is an embassy—but if we can have communication without an embassy, then what's so important about an embassy?"

These comments belie the fact that only 18 months ago there was widespread talk of relations between Jakarta and Peking thawing so far that resumption of formal diplomatic ties was possible. That optimism has disappeared.

There are increasing pressures on the Government to improve the country's non-oil export performance by boosting domestic private sector manufacturing industry. But the Government is aware that such an improvement is only possible if the economic straitjacket on the country's Chinese entrepreneurs is loosened. Despite genuine keenness to encourage economic growth the Government knows that anti-Chinese sensitivities continue to run high. It may decide that sub-optimal growth is preferable to the risk of aggravating communal tensions.

A slow-growing infant despite a state nanny

STOCK MARKET

RICHARD COWPER

BRITISH COMPANIES are playing a leading role in helping to get Indonesia's newly revived stock market off the ground. British American Tobacco's local subsidiary accounts for over 30 per cent of all the shares currently listed on the market and when the Anglo-Dutch conglomerate Unilever joins the lists later this month, the two companies together will account for more than 60 per cent of the market, which to date offers about $70m of quoted shares to the Indonesian public.

Despite the boost provided by these two offerings there has been growing concern in many quarters that the market has been developing too slowly. The exchange was revived almost five years ago but today it lists just eight companies. It does half an hour's trading a day, while the value of all shares changing hands last year was equal to less than a day's trading on the two Manila stock exchanges or roughly 10 minutes' trading on the London stockmarket on an active day. Recent personnel changes at Bappepam, the executive board of the exchange, are expected to speed up the often laborious and costly process of launching an issue, and Mr Ali Wardhana, Indonesia's Finance Minister, has made it clear that he hopes more companies will be listed in the near future.

There are around 800 joint ventures between Indonesian and foreign companies in Indonesia and Jakarta would like to see many of them go public in the 1980s. One of the prime aims of reviving the market (effectively closed since 1958 at a time when Indonesia's first President, Sukarno, expelled most Dutch companies from Indonesia) is to get foreign companies to sell a proportion of their equity to Indonesians without resorting to the disruption and inefficiencies of enforced nationalisation.

To achieve this the Government is using a combination of push and pull — the pull comes in the form of tax incentives, while the push is that if you want to expand your operation, particularly if your business is in a so-called non-priority sector, your case would be considerably helped by an agreement to float at least part of your equity on the exchange.

A number of foreign companies are finding it a reasonably attractive way of gaining the Government's goodwill and meeting previous commitments under Indonesia's foreign investment law to sell at least 50 per cent of their equity to Indonesians after 10 years.

Many of the reasons for going public in Indonesia are not those normally given in the West. Despite the extremely attractive tax incentives provided by the Indonesian Government to companies going public (relief on company tax, revaluation of assets and shareholder income), most foreign companies would probably not choose to float a proportion of their equity simply to raise cash for development or expansion.

Going public in Indonesia can be a time-consuming and costly business, particularly when the authorities in charge of setting up the exchange are still finding their feet. "We are not going public because we need the money, in fact we could probably get it cheaper elsewhere," says one company director. The key reason is undoubtedly permission for expansion and that unquantifiable commodity known as "goodwill," which in a Third World country with the usual ambivalence about foreign investment can prove so crucial to the success of a company's operations.

So far eight foreign companies have taken the plunge: Semen Cibinong in August 1977; Century Textile (Centex) in May 1979; British American Tobacco (BAT) Indonesia in October 1979; Teijin Indonesia Fiber Corp (Tifico) in January 1980; Richardson Merrell Indonesia in April 1980; Goodyear Indonesia in December 1980; Merck Indonesia in July 1981 and Multi Bintang in December 1981. Some half-a-dozen other companies are queueing up to go public, with four of them at least likely to do so some time in the next twelve months.

British American Tobacco became the first British company, as well as the largest, to go public when it sold off 30 per cent of its equity. The $26m it received should just about pay for the planned 70 per cent expansion in capacity scheduled over the next four years. The largest issue so far, this will be followed by Unilever, which is floating off 15 per cent of its local company this month. The offer will be for 9.2m shares valued at 3,175 rupiahs (about $5) each, which will bring in an estimated $46m.

Perhaps the real test of the success of a market whose shares cannot be owned by foreigners will come when Bappepam starts bringing in locally owned Indonesian companies. In a country where you bargain over how much tax you have to pay ,and where properly audited accounts are the exception rather than the rule, the exchange is seen by some of the technocrats who run Indonesia's economy as one way of attempting to clean up business operations in local companies.

In the short term, however, Bappepam is concentrating on the foreign companies' transfer of ownership. "The Indonesian public, which so far has little understanding of how a capital market works, has yet to be persuaded that it is a viable investment alternative for their money, so we cannot at this moment afford a stock market failure. Most foreign companies are well-known, reliable and already have properly audited accounts. At the moment therefore this sector is much better prepared to go public," explains Mr Turangan, the former head of Bappepam.

Given Indonesia's poorly developed comercial law, the lack of a modern commercial banking sector, the shortage of accounting firms, and the very nature of doing business here, many observers have considerable doubts as to whether a stock exchange is a viable proposition at all for many local companies at the present time.

As Mr J. A. Sereh, head of the Government-owned investment trust PT Danareksa, puts it: "Here the exchange is controlled by the Government; foreigners are not allowed to trade; speculation is taboo; Danareksa is by law allowed to purchase up to 50 per cent of any issue and we often do; and fundamentally our aim is to broaden ownership of companies, and particularly to spread wealth among more Indonesians and give them a bigger share in foreign ventures."

While one can sympathise with the Government's desire to nurse the baby to strength one cannot help feeling that Danareksa may be taking on too much of the responsibility for the smooth running of the market.

There may also come a time when this body, which already makes a very tidy profit, may feel confident enough to change the rule which allows shares to move only a maximum of 4 per cent either way during a day's trading—though on an exchange as small as this the government's fear of manipulation is understandable.

Upgrading process continues

BANKING

SANJOTO

THE INDONESIAN monetary authorities in the past few years have focused their efforts in improving the banking system to mould it into a more reliable instrument for monetary management.

Great leaps in Government budget spending—51 per cent from 1978/79 to 1979/80, 31 per cent from 1979/80 to 1980/81 and again 31 per cent from 1980/81 to 1981/82—mean the Government sector has grown into an ever-increasing source of economic activity, calling for a private sector capable of supplying the necessary backup goods and services and in turn creating a need for a sound, responsible and well-managed banking system capable of channelling and managing the funds needed by private business.

The call for improvements is primarily aimed at the "national" banks — both Government-owned and private —which through the turbulent 1960s fell into very bad shape.

In the "upgrading process" the foreign banks that have been operating since 1968 more or less act as catalysts for greater efficiency and better banking practices, besides providing the necessary banking skills. By limiting the operation of the foreign banks to Jakarta, Bank Indonesia (the central bank) forces them to co-operate with some "national" bank if they serve clients outside the capital. The central bank also encourages joint financing schemes and technical assistance schemes between foreign and "national" banks.

Along with the stricter requirements for the establishment of a private bank, various tax incentives have been offered to encourage bank mergers. A merger between two banks allows the creation of one new branch, with exemption from the usually strict requirements. A merger between six banks entitles the new group to apply to become a foreign exchange bank, subject to the necessary capital requirements. New licences cannot otherwise be obtained.

As a result of these measures the number of "national" private banks has dropped from 129 in 1971 to 75 in 1981, with the individual units on the whole becoming bigger and stronger. The total share of the "national" private banks in the volume of credits outstanding has increased from Rp159bn in 1976 (4.45 per cent out of a total of Rp 3,566bn), compared with Rp 786bn in October 1981 (8.12 per cent of a total of Rp 9,684bn).

The share of the "national" banks (private plus state-owned) has thus grown from 60.73 per cent of total credits at end-1976 to 67.07 per cent by October 1981. The share of foreign banks on the other hand has gone up only from 4.21 per cent to 5.33 per cent over the same period, the rest constituting the so-called "direct credits" by Bank Indonesia and credits by local development banks.

While the foreign banks have not grown as fast as the "national" private banks, they are individually much stronger. since there are only ten of them. By contrast there are 75 "national" private banks.

The foreign banks naturally have the advantage of higher skills and higher efficiency compared to the "national" banks. plus a string of clients that they get from their respective headquarters, many of which have invested in Indonesia. In terms of local clientele they have the advantage that—exploiting their higher efficiency and wide connections abroad—they can pick and choose from the most reputable businesses in the land.

As Government spending has risen and oil revenues have increased so the Government, worried about stimulating inflation, has imposed stringent constraints in the availability of credit, especially for private business. The central bank imposes a ceiling on bank credits of 23 per cent. But this varies for individual banks, depending on the extent to which their credit performance has been in line with the priorities laid down by the monetary authorities. Priority is given to credits for "pribumi" (indigenous Indonesian) businesses, exports, agriculture, the rural sector, and labour-intensive ventures.

An additional constraint was imposed in April 1980 when interbank lending and borrowing were to be included in the ceiling. But at that time foreign banks started to raise local funds by advertising relatively attractive interest rates for time deposits (Before then they usually borrowed rupiahs from the state banks.) So the state banks escaped the new limitations by depositing excess funds in Singapore and other foreign money markets.

The local money market is anyway too small to handle these funds, although the monetary authorities have made efforts to develop it. In 1973 and 1974 licences were issued for the operation of non-bank finance companies and at present there are nine investment-type and three development-type finance companies in Indonesia. But the development of secondary trading of primary issues has been slow. Trading takes place mainly between the financial institutions, bank and non-bank. Individual trading is still very limited.

Old and the new in Sumatra: wild elephants still roam in several provinces; a $1bn aluminium smelter is under construction on the north coast

Island of untapped riches

IF JAVA is the rice basket of Indonesia then Sumatra is its foreign exchequer, providing much of the cash for the Government's drive to develop the country's economy. Sumatra is the fifth largest island in the world and is the foundation on which Indonesia lays its claim to be the foremost exporter of oil and gas in Asia, the world's second largest exporter of natural rubber, palm oil and tropical timber and the world's third largest exporter of tin.

Sumatra is territorially more than twice the size of the UK but with less than a third of its population. Though much of the island is still covered by dense tropical jungle where tigers and elephants still roam in sizeable numbers, Sumatra is without question the richest island in Indonesia.

The Government has recently embarked on plans which would involve expenditure of more than $15bn on a host of projects in an island which has for long been Jakarta's main source of foreign earnings. The projects are designed to exploit further the island's great array of as yet untapped resources.

Though ethnically and culturally the entrepreneurial Sumatran has a very different outlook from that of the Javanese, whose highest ambition is typically to become a civil servant, there now appears to be a wide acceptance in Sumatra that to allow one part of the nation to grow rich while others remain in poverty could have disturbing political and social consequences which might pose a threat to the unity of the Indonesian nation.

The widespread feeling of resentment at Jakarta's high-handed policies which led some Sumatran leaders to declare a state of open rebellion against the central government in 1956 seems to be a thing of the past. Most Sumatrans now firmly identify themselves as Indonesians—within the unity of the Indonesian State.

Traditionally a sizeable part of this wealth has been creamed off by the central government and poured into Java, where 62 per cent of Indonesia's population live, often in conditions of overcrowding and poverty that despite the richness of its volcanic soil makes it one of the poorer regions in the developing world. In the past this transfer of wealth undoubtedly caused considerable friction between Sumatrans and Javanese, with Sumatran leaders accusing the Javanese—who largely control the reins of government—of siphoning off the island's riches and providing very little in return.

Today, however, though there is still considerable concern that too large a proportion of wealth is going into lining the pockets of already well-off Javanese officials, there is a growing acceptance of the justice of the Government's policy of "pemerataan" (equality) which aims to spread development more equitably throughout the islands.

At the same time the Government, realising the very great potential of much of Sumatra's as yet untapped wealth, is beginning to pour billions of dollars into the island. Much of this money will undoubtedly come back to Jakarta to swell the Government's coffers, but at the same time it is creating new jobs and opportunities for Sumatrans on a scale which probably has not been witnessed

SUMATRA

RICHARD COWPER

since the Dutch turned the province of North Sumatra into a giant plantation export crop centre at the turn of the century.

From Sumatra's point of view perhaps the most welcome sign has been the Government's decision to inject over $4bn into the smallholder rubber sector over the next ten years. Almost 25 per cent of Sumatra's population of 28m owes its livelihood directly or indirectly to rubber—Indonesia's top plantation export crop.

Decades of Government neglect of the vital smallholder sector, which accounts for over 70 per cent of Indonesia's total rubber production, has meant that for many smallholders productivity and incomes have declined. Around 70 per cent of smallholder trees are believed to be 30 years old or more and average productivity is around a fifth of that of smallholders in nearby Malaysia.

The government's plans call for the replanting and rehabilitation of around 40 per cent of the 2.4m hectares now reckoned to be under rubber, as well as the opening up of some 500,000 hectares of new land. The province of North Sumatra, which last year exported over $1bn of commodity exports, stands to gain most from the replanting, while the oil-rich province of Riau and the traditionally rebellious province of Aceh will benefit most from the opening up of new land to rubber. Outside the traditional commodity export sector the Government has embarked on ambitious plans which, with an injection of approaching $10bn, will give Sumatra for the first time a sizable industrial sector.

Based on the considerable reserves of natural gas in Aceh, plans are under way to create a major petrochemicals centre at Lhok Seumawe which will include two or three fertiliser plants, an olefins centre and an aromatics complex. In the nearby province of North Sumatra the construction of an aluminium smelter is expected to lead to a whole host of downstream industries based on the production from this project, now being constructed by the Japanese. Elsewhere the Government has started on a multi-billion dollar project to develop part of South Sumatra's estimated 10bn tonnes of coal reserves and begun work on three new large-scale cement plants.

In both the plantation and industrial sectors inadequate or non-existent infrastructure is likely to prove a serious constraint on the pace of development. Despite the much vaunted trans-Sumatra highway, the island has a poor road network, while in some jungle areas due for opening up to plantations there is no infrastructure at all.

A shortage of both skilled and unskilled labour will also severely test some of the Government's more ambitious plans and much will depend on the success of Jakarta's policy of transferring 2.5m people from overcrowded Java to rapidly growing outer islands like Sumatra.

Despite these problems, however, the rapid development now under way in what has traditionally been called the "Island of Hope" will undoubtedly underline the island's role as Indonesia's main export earner. From the Government's point of view it will ensure that for many years to come Sumatra will remain the major source of Treasury income.

Foreign Surveys in the FT

The programme of foreign surveys leads off next year with the following countries.

Belgium

Despite recession and the divisive problem of its Flemish and French-speaking communities the country remains relatively prosperous. The effect of recent measures to strengthen the economy remains to be seen.

Austria

After a decade of unparalleled growth there are clouds on the economic horizon. Government by social consensus faces some new challenges.

Philippines

Presidential decrees restore a measure of democracy. But the Government's aggressive search for economic growth has not so far met with the desired degree of success.

INDONESIA'S TIMBER TRADE

(m cubic metres)

	Logs*			Sawn timber†		Plywood‡	
	Output	Exports	Locally processed	Output	Exports	Output	Exports
1978	26	18.5	8.0	3.50	0.72	0.42	0.08
1979	28	18.0	9.6	4.10	1.30	0.62	0.13
1980§	26	14.0	11.9	4.80	1.10	1.01	0.28
1981	18/21	5.5/6.5	13.2	4.80	1.00	1.58	0.70
1982	24/26	5/7	19.3	6.50	2.00	2.75	1.60
1983	27/28	3/4	23.8	7.50	2.50	3.82	2.32

* FT estimates based on industry sources. † Figures from Indonesian Sawmillers Association. ‡ *Figures from Indonesian Plywood Association.* § *Provisional.* NB 1981-83 volumes are projections. Discrepancies in totals arise mainly from stocks.

Waiting for rewards of policy switch

DESPONDENCY and recession now hold sway over Indonesia's once mighty timber industry, — with the important exception of plywood. For many years this sprawling archipelago, vast tracts of which are still covered by dense jungle, has been the world's top exporter of tropical hardwoods.

But it is now clear that this year Indonesia will be forced to yield first place to its neighbour Malaysia. For the first time too in virtually a decade it looks as if rubber may oust timber as the country's top non-oil commodity export.

Export volume is down by an alarming 40 per cent in the first half of this year compared to the corresponding period of 1980, and the reduction is expected to be even sharper in the second half. Prices are down by around 30 per cent in comparison to a year ago and the total value of Indonesian log exports this year is expected to slip below $1bn for the first time since 1977.

Given the state of turmoil in the industry forecasting is a hazardous exercise, but few expect 1981 exports to reach 7m cubic metres—a fall of over 50 per cent from last year's estimated overseas sales of 14m cubic metres.

The remarkable thing about this decline is that it is self-inflicted and not, as one might expect, the result of world recession and declining demand for Indonesian logs caused by the slow-down in the U.S. and Japanese construction industries.

Less than two years ago President Suharto and a number of close advisers made a policy decision to slash the country's log exports by two-thirds over a period of just 24 months. The ambitious thinking behind this decision to withdraw around 25 per cent of the world's supply of South Sea logs from the market was to turn Indonesia into the world's largest exporter of plywood and a major supplier of sawn timber.

Few would quarrel with the Government's reasoning. Secure in the knowledge that Indonesia is perhaps the world's last remaining source of sizable quantities of tropical hardwoods and that almost 60 per cent of

TIMBER

RICHARD COWPER

internationally traded plywood is derived from South Sea logs, the Government is correct when it believes that it can capture a major share of the world plywood market.

By cutting off log supplies to South Korea and Taiwan, currently the world's top two plywood exporters, and forcing domestic Indonesian timber concessionaires to set up plywood mills or go out of business, it is only a matter of time before the Government achieves its aim.

The process of getting there, however, is proving to be extremely painful. The squeeze on log exports has meant that around 20 per cent of Indonesia's 500 concessionaires have been forced to close down altogether, while many others are barely breaking even.

Not unnaturally, there have been loud protests as many companies have witnessed their very lucrative livelihood disappear overnight. While most are sympathetic to the Government's basic aims they are extremely critical of the speed and manner in which the policy has been carried out. A more gradual approach would have made more sense, they argue.

The enforced rush into a new industry is fraught with dangers, they say, at least in the initial years. The problems of mill construction, infrastructure, marketing and standards for the plywood and sawn timber are bound to cause severe teething problems. Meanwhile, at a time of declining commodity prices Indonesia has lost a valuable source of foreign income.

The Government rejects these complaints, arguing that for years it tried by gentle persuasion to get companies to set up timber processing plants without success. "The only way to get things moving was to act tough, and that's what we've done. In my view we're taking one step backward to make two steps forward. Companies may be hurt now, but when their sawmills and plywood mills are in operation their profits will be greater than ever," says one top official closely involved in the Government's new plans.

Though the Government will be hard put to meet its target of becoming the world's top plywood exporter by 1982, the policy has already begun to yield dividends. Plywood exports in the first half of 1981 were up by 150 per cent over the corresponding period of last year, and the Government should meet its 1981 target of 700,000 cubic metres of exports—up from a tiny 280,000 last year. Sawn timber exports, however, have proved extremely disappointing, recording a small decline in the first half. A fairly modest target of 1.5m cubic metres for 1981 will certainly not be met.

DEPARTMENT OF INDUSTRY

The search for a raison d'être

By John Elliott, Industrial Editor

THE Department of Industry is in the process of trying to justify its existence as a separate Whitehall Ministry. Its new Secretary of State, Mr Patrick Jenkin, wants to know how to make his job significant and is accordingly organising the Department's first assessment of overall objectives for several years.

Given the Government's continuing opposition to general intervention in industry, he is trying to find out whether he and his Department can be much more than the spokesman in the Cabinet for industrialists—a role he has already publicly adopted.

If there is no wider role, then the Department is condemned to remain merely the guardian of lame ducks and a cheer leader for fashionable high technologies. It would remain sandwiched uneasily between Downing Street and the Treasury, which control its major decisions and its £2bn a year budget, and the Department of Trade, which has a secure future as the promoter of exports and the regulator of company affairs.

Almost every Industry Department civil servant with responsibility for policies has been told to put down on paper, as quickly as possible, the objectives of his work and the options for the future.

These are being drawn together today so that Sir Peter Carey, the urbane permanent secretary who has presided over the Department since 1976, shortly after it was hived off from the former Department of Trade and Industry, can present a summary later this week to Mr Jenkin for Christmas holiday reading.

A small "think tank" policy unit is also to be set up within the Department in the New Year to do work for Ministers, modelled on a similar unit formed by Mr Jenkin in his last job as Secretary for Health and Social Security.

The answers that emerge could, in theory at least, have far wider ramifications than simply the nameplate on the Department's modern office block in Victoria Street or the titles of a few Ministers and civil servants.

They could prove to be the first step in the Government deciding its industrial priorities—choosing in advance between propping up lame ducks or funding exciting technologies, instead of having to react as it has done for much of the past decade to the latest industrial disaster, to some persuasive special pleading for aid, or to the latest high technology invasion from Japan.

However, such an approach could smack of far too much positive industrial intervention for Mrs Thatcher who is highly sensitive to suggestions of U turns. So for the time being at least, the aim is far more limited and there is considerable scepticism—if not cynicism—among some of the Department's civil servants about whether Mr Jenkin's exercise has any significance at all.

The Department has been battered for too long by political swings to warm instantly to a politician who seems to want to raise its profile without necessarily sharpening its policies. Many civil servants have also been frustrated by a lack of direction. They admired Mr Jenkin's predecessor, Sir Keith Joseph, for his intellect, but deplored his agonising, slow, and often reluctant *decision-making* which stemmed from his lack of belief in most of their work.

Now they, and people outside the Department, wonder what is planned by Mr Jenkin who is clearly an ambitious politician and is sometimes tipped for higher office (even Sir Geoffrey Howe's job has been mooted by some political pundits).

A tall, heavy featured, serious looking 54-year-old, he can display considerable charm and has a reputation for being an earnest politician who masters detail.

Advice that he will never live down

But he tends to make blunders which do him less than justice—he will, for example, never live down the advice that he gave as Energy Secretary in the 1973-74 miners' dispute when he said people should "clean their teeth in the dark" to conserve energy.

He was also guilty of clumsy footwork when he declared immediately after the recent BL crisis that the Government wanted to sell the business off. On the other hand he was a successful Secretary for Health till September, reorganising the health service and encouraging the private sector—while keeping a low profile.

Ashley Ashwood

Mr Patrick Jenkin: 'I wanted it all written down'

When he became an MP in 1964, he joined the Conservative Opposition team fighting steel nationalisation. The contacts he made then, and the battles that were fought to protect the private sector of the steel industry, influenced his decision last week to use the controversial section eight of the 1972 Industry Act to offer £22m or more State aid to private steel owners.

"A gap was opening up which was perfectly obvious," Mr Jenkin told me. "Here we were pouring money into BSC and giving it aid to do its Phoenix rationalisations with private sector steel companies which have had to put their heads into the BSC lion's mouth to get their aid. Why should we not give help direct to companies?"

He is given to such logical approaches so it is not really surprising that, when he had been in his job for a few weeks after the September reshuffle, he asked Sir Peter and his colleagues to bring him a paper setting down the Department's purpose and strategy.

"They said that such a thing didn't exist," says Mr Jenkin. "They said, tapping their heads, that my predecessor 'had it all up here.' Now I know that he is very intelligent, but I did not know so much. So I said I wanted it all written down."

An alternative version of the story is that Mr Jenkin said the Department was like a ship steaming on with no lights. His senior Civil Servants replied that that was not their fault—the lights had been doused by Sir Keith who hoped eventually to merge them with the Trade Department.

So far Mr Jenkin has dealt with the role of the Department in one public speech—"my Peterborough lecture" as he now calls it, adding: "I doubt whether my predecessor would have delivered it." Made earlier this month, the speech argued that the Department should not be wound up because it had key roles in areas like regional policy, research and development, new technology, inward investment, small businesses and nationalised industries.

Explaining both the work his civil servants are now preparing and the role of his proposed policy unit, Mr Jenkin told me: "We need to take a more coherent look at areas of industry that are appropriate for Government involvement. We have Ken Baker (his Minister of State responsible for information technology) with all his *razzmatazz of micros, computers,* robotics and space—all of which has a clear remit from the Prime Minister. It also had the backing of Sir Keith.

"But are we looking at the long term sensibly? Small firms' policy, for example, is doing well, but we can all benefit from taking a step back and having a longer look to see if we have the emphasis right. Then there's industry and education—that needs more strategic thinking than we're giving it."

Possible future candidates for privatisation among State-owned industries will also be considered. Mr Jenkin says he is concerned to push through the maximum liberalisation of British Telecom's services. And even though he does not list it among his first priorities, the options for selling off part of British Telecom will also be considered. This would be an example of how the work could produce options for a future Conservative Party manifesto.

At the centre of the work is the Department's £2bn a year budget which is broadly split at present into three parts—£1bn on lame ducks (especially BL and British Steel), £500m on regional aid (mainly automatic regional development grants), and £500m scattered across a range of projects including high technology.

If anything comes out of the current exercise, it will be a debate within the Department about whether this balance should change. In particular, should money be switched from propping up the old to encouraging growth?

There is, of course, a risk that the Treasury will want to cut the budget when the demands of BL and British Steel decrease. So a principal question behind the current review is whether arguments should be assembled for using the funds in specific areas of high technology.

The future of the £500m regional development aid will also be a key issue. Some Ministers tried to have the current automatic grants cut during the Government's recent public spending review, and there is considerable pressure both within and outside the Government for the theories behind the aid to be re-examined.

However, despite last week's help for the private steel industry, Mr Jenkin is adamant that he will not authorise a flood of special aid schemes in response to special pleading from individual troubled sectors.

A thinly disguised call for subsidies

"People who demand a strategy for their industries are calling for thinly disguised protectionism and subsidy. That is not going to be done by this Government. We are not going down that route—it is not the way to economic salvation." (When he talks like this, it begins to become clear that last week's steel aid was the result more of a political Ministerial decision reflecting Conservative Party pressures for private sector help than of a deep analysis of *industrial priorities.*)

Leaders of the CBI and TUC who have been hoping that a study of European industrial policies which is about to be undertaken by the National Economic Development Office might lead to the Government adopting a more positive stance, may therefore be disappointed. Mr Jenkin says he wants to use the study to mount attacks on other EEC members' aid schemes (like machine tools support in France and paper and board aid in Germany) rather than introduce similar aid schemes in Britain.

With the help of his new policy unit, he clearly intends to give his Department a more positive stance, turning up the ship's lights doused by Sir Keith. Sceptics within his Department may regard this as a mere cosmetic exercise. But in political terms, his stock would probably rise if he merely made the Department a place of which a Conservative Government need no longer be embarrassed.

Lombard

The divisions of the Pope

BY SAMUEL BRITTAN

IS THERE no alternative for the Polish people between either acquiescing in the loss of their recently won new liberties or risking a domestic blood bath and the intervention of Soviet troops, with all the international repercussions which the latter would bring? The stakes are so high that any potentially useful suggestion, however remote its chances, and unlikely its author, is worth injecting into the debate.

The danger of even greater violence comes from the clear lack of legitimacy of the present military regime. General Jaruzelski has to reckon not only with the hostility of Polish workers, but with the uncertain loyalty of an army nearly three-quarters of whom are conscripts. If the Polish army had to be called in to supplement the security forces and failed to establish the Government's authority, the door would be wide open to a carefully planted "request" for Soviet assistance.

The present military rulers may want this as little as anyone, but are they in a position to prevent it? The Poles would prove far more difficult for Soviet forces to subdue than many of their neighbours, and Russia would have the equivalent of a Vietnam on its doorstep for years to come.

Some at least of the Soviet rulers can surely see the dangers as well as anyone. So at this point, one should ask: have they any reasonable fears about possible developments in Poland, if the free elections demanded by Solidarity led to the end of the Communist regime? The word "reasonable" excludes insistence on dictating to their neighbours the form of regime under which they shall live. But it does not presuppose immediate conversion of Soviet leaders to a higher morality which would set aside concern for their own self-interest and that of the USSR as they see it. By "reasonable" I mean nothing more elevated than the kind of development which would provoke President Reagan to intervention if it occurred in the Western hemisphere.

The "reasonable" fear is that a government produced by free elections might go beyond domestic change, leave the Warsaw Pact and even switch alliances. If a credible reassurance could be given against this happening, the "doves" in the Kremlin might stand a chance.

There are numerous possible formulae for the long term. Neutrality on Austrian lines is probably too much to ask for. But even "Finlandisation" with some security of Soviet supply lines to East Germany, would be a great improvement on what the Poles have hitherto had. Like the Finns they would have to exercise discretion in public utterances on foreign policy.

Now is not the time to lay out a *blueprint* of Poland's long-term international stance. The immediate need is for a government in Poland which will assuage the more "reasonable" fears of the Russians, and at the same time command support at home. There is only one body in Poland which has even a remote chance of commanding the support of the domestic population and reassuring the Soviet Union. That is the Church. Both the Pope and the Primate of Poland, Archbishop Jozef Glemp, have been trying to discourage a violent internal response to recent events, and, I would guess, would be prepared to promise that there would be no switch of alliance. Their influence could be decisive if some members of the hierarchy were to be given political office. An outsider without detailed personal knowledge, is in no position to say whether or not it would be feasible for the Primate to head a government; but any move which attracted headlines such as "Pope to take control" would be in the direction of stability.

This idea may have been prompted by my being in Rome when Solidarity was suppressed. But in fact Poland is a far more Catholic country than Italy or Spain; and it is about the only place where the great majority of the population would follow the political as well as religious lead of the Church. Government of Poland by the Church for the present emergency may be less unattractive to the Russians than many other options.

At any rate there seems little to lose by playing this card. A visit to a region once ruled by the Pope reminds one of the Church's tradition of political *savoir-faire*, for which there might once again be a use.

Letters to the Editor

Reasons for raising the price of steel in Europe

From the Chairman, British Steel Corporation.

Sir,—*It seems clear that Mr* Doran (December 8) agrees with the general principle that prices should remunerate the efficient producer; yet he refers to raising "already high steel prices."

He must be aware that for more than two years the majority of European steel users have been able to purchase at prices *substantially* below United States and Japanese domestic levels and which have failed to counter the effects of the producers' steeply rising costs. For some products, prices in Europe have been cut to a *level below those ruling before* the Davignon plan of early 1978.

Low prices have been a key factor in the substantial losses made by the 12 *major European* steel producers in each of the last three years.

British Steel Corporation has made great progress in cutting its own costs, but there are areas in which the corporation's ability to reduce production costs is limited/ Energy, for example, now costs BSC 160 per cent more per tonne of steel *than in 1975; since then our* prices have risen by only 43 per cent on average.

The January 1982 selling price increases for steel will take us to a position where prices will be only about 6 per cent above the 1979 level, and on a competitive footing with those applied elsewhere in Europe.

The *measures being adopted* by the European Commission are designed to reverse a ruinous course for the major suppliers to the European steel-using industries, a course which would, in the long run, have dire repercussions for those industries. These measures are not being taken independently of the wishes of national governments, *but largely reflect* the member governments' and the Commission's desires to bring to an end the subsidisation of the European steel industry.

Ian MacGregor,
British Steel Corporation.
33 Grosvenor Place, SW1.

Gyrations of interest rates out of perspective

From Dr T. Gough

Sir,—Perhaps the most distinctive feature of 1981 has been the endless space devoted to the future direction of interest rates. The whole future of the economies of the western *world is perceived* to hang on the gyrations of these rates.

Surely all this has now got completely out of perspective. The use of interest rates to manage aggregate demand is itself nothing new — a temporary rise in interest rates used to be called a credit squeeze, a term which has now fallen into disuse! Real interest rates (after allowing for inflation) are only a little higher than in previous decades, and are *not of themselves such* as to bring large parts of our economy to the verge of bankruptcy. The problem of industry is *mainly* one of *insufficient* demand rather than of burdensome real interest rates. In any event, most industrial investment is self-financed from retained profits rather than borrowed from the capital market.

Yet the path of interest rates has continued to dominate the newspaper columns. Ironically, in all of this, few commentators have noticed the real dilemma for nations pursuing monetarist policies. Being advocates of the market then logically interest rates should be set by market forces — namely the supply and demand for *loanable* funds. If this view is taken then Government should simply stand back and let the market be free to set its own interest rate levels.

On the other hand, interest rate policy has been *seen* as a central tool of the monetarist experiment. In this case interest rates are a matter of policy and not to be left to the preferences of suppliers and demanders of loanable funds. Hence the contradiction for the Thatcher and Reagan administrations — that the central plank of the overall policy is the result of Government intervention in the market rather than the operation *of* free market forces.

All this has got clouded recently and the underlying dilemma camouflaged by the formal abolition of minimum lending rate. Instead of the Bank of England declaring the desired level of interest rates as a matter of explicit policy through MLR, the new regime seems to be one of the Bank of England giving a nod and a wink to the money markets as to which way the *Treasury wishes rates to move.* One cannot imagine the Treasury standing back and letting the market set its own rates, thereby influencing the supply of money on which the whole of the control of inflation is seen to rest.

An added twist to all this has come from the unfortunately coincident recantations of *President Reagan's budget* adviser and of Prof. Budd in the UK. While one has to admire the honesty of admitting one might be wrong (refreshing in a world dominated by politicians!), the *recantations are also* very worrying. They demonstrate that no one has bothered to think through the full implications of precisely how changes in interest rates influence the money supply. In principle this would seem to depend on three factors — the interest elasticity of suppliers of loanable funds, the interest elasticity of demanders of funds, and the degree to which the financial intermediaries (which bring suppliers and demanders together) can themselves create funds which fall into the category of money supply as defined by the government.

Meanwhile, the guessing *game* will go on into 1982 with renewed momentum, with the determination of interest rates assuming more the atmosphere *of the casino than the implementation* of a well thought out strategy.

T. J. Gough (Dr.).
Dept. of Applied Economics,
UWIST,
King Edward VII Avenue,
Cardiff.

Changes at the Gas Board

From Mr G. Roberts.

Sir,—In Men and Matters (December 18) under the heading "Rooke's rest," you refer to the changes taking place in the composition of the Board of the British Gas Corporation. Lest there be doubt, may I make it absolutely clear that my departure is not voluntary? The Secretary of State for Energy has decided not to renew my appointment as a full-time member of the board and my present appointment terminates on December 31. May I add that, as the Corporation has made clear *on several occasions,* its board—including the part-time members—has been unanimous in its opposition to the sweeping changes the Government is proposing?

Geoffrey Roberts.
Berry Hill, Deepdene Drive,
Dorking, Surrey.

Local rates and business

From the Deputy Director-General, Confederation of British Industry.

Sir,—Your Leader "Local rates and politics" (December 17) concludes that rates are the best form of local taxation because no one has thought of "anything better."

Your analysis, however, completely ignores the problem of the business ratepayer, who has no vote and cannot influence council policies through the ballot box. The green paper acknowledges that more than half of local authority incomes —55 per cent, equivalent to £6bn—come from business ratepayers and that the authorities are not accountable to them in any way.

A ceiling on business rate increases is essential to protect industrial and commercial ratepayers and the jobs they provide for local communities. Given that the green paper recognises that the business sector may need to be safeguarded because of the lack of accountability between local authorities and business ratepayers, the CBI *cannot understand why* such a provision has not been incorporated in the Local Government Finance (No 2) Bill.

Bryan Rigby,
103, New Oxford Street, WC1.

Get the paperwork right

From the Secretary Crossoceans

Sir,—Mr Brodrick's complaint (December 15) about delays in *payment* on letters of credit misses the point—if he gets his paperwork wrong then he has only himself to blame.

In our experience it takes longer for banks to deal with small value presentations, and *for* large presentations certain banks take their time in writing out cheques once documents have been accepted and even longer to get their *cheques into* our hands. I believe that the London Chamber of Commerce did circulate bankers about a year ago to enquire into the efficacy of their handling of letters of credit and got a small response.

I have been told by some non-UK bankers that the reluctance *of the major* UK clearers to support small exporters with back-to-back letter of credit facilities with small cash margin is their lack of confidence in structuring letters of credit in this context.

H. T. Legg,
6, Princes Gate, S.W.7.

UK COMPANY NEWS

DUNCAN CAMPBELL-SMITH EXAMINES BURMAH'S BID FOR CRODA

The City expects a colourful battle

IT WAS a telephone call to bankers J. Henry Schroder Wagg in May 1967 which heralded the first public acquisition ever undertaken by Croda, then just a small Yorkshire business with some big ideas and one dynamic entrepreneur, Mr Fred Wood.

Eight busy years later, in 1975, Cazenove acted as stockbroker to an unsuccessful defence against the last and probably most bitterly contested of all the many public takeovers launched by Croda International, by then a major force in speciality chemicals production.

Now Croda itself, under Sir Fred Wood, is the target of a bid as unexpected as any it made in those years as a hungry shark of British industrial mergers. A raid last Friday caught 14.9 per cent of its shares, which have lain beached by a fierce recession in Croda's chemical markets since 1977. And it was Schroder and Cazenove which sprang the nets.

When Burmah Oil stepped forward as the bidder, the irony was complete. The annus mirabilis of Croda's fortunes, when profits jumped 77 per cent, was 1974—the very year which brought calamity upon Burmah.

The market for Burmah's huge tanker fleet, newly acquired, collapsed almost overnight, as did the market value of its 20 per cent holding in BP, used by Burmah as collateral for its bank loans.

Burmah has fought its way back. Croda's profit record since 1975 has borne little resemblance to a remarkable passage of uninterrupted growth over the previous decade. By contrast, Burmah has turned a pre-tax loss of £8m into pre-tax profits last year of £62m. The symptoms of a full recovery have gathered over the last eighteen months—culminating in Friday's bid for Croda.

It seems certain to be opposed. There was talk of a friendly meeting between the two companies' chairmen on Friday. But the City is expecting a colourful battle.

"If that was Burmah's idea of a friendly approach, they must be mad," said Mr Richard Heseltine at the weekend. He is Croda's director for corporate development and will have a strong say when the company sits down with advisers S. G. Warburg on Tuesday to consider its response.

Burmah made no attempt to talk about its plans ahead of announcing the full bid with just four market days left to Christmas. It has so far offered no hint of a future at Burmah for Sir Fred, should he want it. And the offer of 37p for each deferred Croda share—there are 10m of them, eligible for dividends only after 1988 — did not seem especially calculated as a Christmas bonus for Croda's directors.

Most of the 1m shares held by Croda's board are deferred stock, which closed on Friday at 39p against the 37p offer. The ordinary shares closed at 69p, just under the 70p offer from Burmah.

Friendly or otherwise, Burmah's bid marks its first major expansion after the long years spent saving the company. "We were hardly in a position to contemplate anything like this eighteen months ago," says Mr Lawrence Urquhart, Burma's finance director.

Sir Alistair Down and Mr Stanley Wilson are the chairman and chief executive who have masterminded Burmah's recovery. They have presided over a lengthy rationalisation. Now they want to reorganise Burmah "round four major legs," as Mr Wilson puts it.

One of these is to be speciality chemicals, as it announced in June. The division, which will be the responsibility of Mr Campbell Anderson, will have a key role in helping Burmah reduce its dependence on oil profits, presently set to peak in 1983.

The other two sectors are shipping and general industrial interests, like Quinton Hazell.

Burmah says it has looked long and hard at the chemical sector. It likes what it sees and it likes Croda above all. With "a fairly successful year" behind it and "one of the best management teams of any industrial company in this country," Burma feels ready to go after the prize.

City analysts are not so sure—nor did Burmah's shares react encouragingly, closing 6p down at 124p last week.

Two fears seemed prevalent. First, the oil and chemicals mix looks a little uncertain. Analysts pointed to the troubles which other oil companies have had in the chemical sector

Second, there is a worry that aversion to high risk as a result of the 1974-75 debacle is leading Burmah into concentrating too heavily on low risk, low return activities.

"By 1985, about 70 per cent of Burmah's operating profits will be in low return sectors," says Mr Ian Gouldsbrough of brokers Grieveson Grant. "They would have been far better advised to stick to the oil and gas sector."

Not surprisingly, Croda has few kind words at this stage. "Oil companies invading the chemicals sector have been a plague," says Mr Heseltine. But his main objection is that a takeover by Burmah fits none of the rigorous criteria applied by Croda itself over the years.

"It's the big bang approach," he says. "Burmah wants a specialty chemical business so it is seeking to buy one. But there is no synthesis on offer. It is a financial merger with no commercial point."

Burmah obviously thinks it can create the right commercial base. Meanwhile, it has no worries about the financial aspect, with a strong cash flow and some substantial new loans arranged in the last year.

Burmah stressed at the weekend, however, that it would be wrong to think of its Friday bid as a sighting shot. "We have taken a very carefully considered view of the potential of Croda's assets and think 70p a fair price," said one director.

Over to Croda.

Unilock loss halfway

Sales of Unilock Holdings, partitioning systems manufacturer, fell from £9.35m to £9.04m, and the group suffered a taxable *loss of £41,000 for the six* months ended October 2 1981, compared with profits of £558,000 previously. The interim dividend, payable January 13, is halved to 0.325p net per share.

Mr M. H. F. Newman, chairman, says the group continues to take vigorous action to improve its performance. He feels he has reasonable grounds for being confident that profitability over the first half "will be seen to have represented the low point of the downturn in profits which commenced in June 1980."

For the whole of the year ended April 5 1981 the taxable surplus amounted to £1.04m.

Loss for the half year included much higher expenditure on new products of £162,000 against £25,000, and share of associates profits, unchanged at £20,000.

After tax of £7,000 (£294,000) and minority interests of £1,000 (£4,000 losses) the attributable figure for the period was a £49,000 deficit (£268,000 profit). Loss per share is given as 0.31p, compared with earnings of 1.75p.

The partitioning division maintained the improvement achieved in the second half of last year, and losses in France *were reduced to just below* break-even. The interior contracting sector performed disappointingly having incurred substantial extra costs in the completion of a number of supply and fix contracts in the Middle East and the UK.

This has resulted in a reduction in profits of almost £200,000, compared with the same period last year, Mr Newman states.

The company's shares are *traded in the market made by* M. J. H. Nightingale and Co.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Hanover Investments, Norton and Wright RFD, Siebe Gorman, Sterling Industries.

Finals—Burns-Anderson, Dubilier, *Spencer Clark Metal Industries.*

FUTURE DATES

Interims:—

Assoc Communications	Dec 22
Black (Peter)	Jan 7
Melody Mills	Dec 23
Raybeck	Jan 15
Russell Bros. (Paddington)	Dec 24

Finals:—

Bensford (S. W.)	Jan 14
Dewhurst and Partner	Jan 14
Investors Capital Trust	Jan 12
Raeburn Investment Trust	Jan 12
Vectis Stone	Dec 29
Winterbottom Energy Trust	Jan 5

Pending dividends

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus *) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Assoc. Dairies	Jan 28	Int. 1.75
Assoc. Newspapers	Jan 8	Final 5.9
Assoc. Paper Inds.	Jan 15	Final 0.79
*Bensford (S. and W.)	Jan 14	Final 6.5
BET	Jan 15	Int. 1.883
Brown (J.)	Jan 20	Int. 1.75
City of London Trust	Jan 9	Sec. int. 1.1
Dawson	Jan 27	Int. 1.225
Daily Mail and Gen. Trust	Jan 9	Final 16.5
Dixons Photo	Jan 15	Int. 1.312
*Electronic Rentals	Jan 7	Int. 1.167
Fitch Lovell	Jan 29	Int. 1.491
*Grand Met.	Dec 22	Final 3.75
Hickson and Welch	Jan 8	Final 5.0
[illegible] Motor	Jan 14	Final 3.75
*Lloyds Bank	Feb 19	Final 9.6
MFI Furniture	Jan 27	Int. 1.1

	Date	Announcement last year
Magnet and Southerns	Jan 14	Int. 2.0
Mercantile House	Jan 26	Int. 5
*NatWest	Feb 23	Final 12.25
*Racal Electronics	Jan 13	Int. 1.15
Rank Org.	Jan 21	Final 6.0
Ratners (Jewellers)	Jan 12	Int. 0.67
*Raybeck	Jan 15	Int. 1.151
SGB	Jan 13	Final 3.0
Samuel (H.)	Jan 6	Int. 1.5
*Scottish and Newcastle	Dec 22	Int. 1.6
Tate and Lyle	Jan 21	Final 6.5
Thorn EMI	Jan 9	Int. 4.65
Trusthouse Forte	Jan 21	Final 9.641
*Union Discount	Jan 27	Final 14.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BIDS AND DEALS

Shareholder backing for North Kalgurli

AUSTRALIA'S Metals Exploration has lost the first round in its battle to gain control of the gold producing North Kalgurli. At the AGM in Perth, all of the resolutions tabled by Australian Placer, a wholly-owned subsidiary of Metals Ex, were defeated.

The resolutions sought the removal of two of North Kalgurli's directors, including Mr John Jones, the chairman, an increase in the maximum permitted size of the board from five members to eight, and the installation of four nominees from Metals Ex as directors. All of the resolutions were defeated by a margin of around 21m votes to just over 14m.

Metals Ex holds about 20 per cent of the North Kalgurli, and has lodged a bid for a further 15 per cent. The company said it wants to take over North Kalgurli, which has recently reopened the Fimiston gold mine at Kalgoorlie, because *it feels* that its own management would do a better job of running the business.

The measure of support shown *at the meeting for North Kal*gurli's present leadership suggests that many shareholders do not share that view.

ALBRIGHT & WILSON UIC-MARCHON

Albright and Wilson has acquired the remaining 55 per cent interest of United Industrial Corporation (of Singapore) in UIC-Marchon Pte of Jurong, Singapore. UIC-Marchon, therefore, becomes a wholly-owned subsidiary and will trade as Albright and Wilson (Marchon).

Mr J. R. Wills, commercial director of Albright and Wilson, said: "This acquisition reaffirms *Albright and Wilson's continuing* interest in South-East Asia and its confidence in UIC-Marchon."

HOUSE OF FRASER

PROFESSOR ROLAND SMITH, chairman of House of Fraser, the Harrods stores group, has told shareholders that Lonrho has been required by the Secretary of State for Trade to give undertakings to the effect that it will not proceed with its bid.

"Such undertakings have now *been given and we hope that* Lonrho will not frustrate the efforts we are making to develop the business in the interests of all our shareholders," he says.

TRI BASIN DEAL CALLED OFF

The proposed merger between Sceptre Resources and Tri Basin Resources, the two Canadian-based oil and gas companies is off. The proposal has been defeated by the shareholders, many of them UK institutions.

An announcement says that the directors of the two boards "have agreed to terminate the amalgamation agreement."

RANK HOTELS

The Rank Organisation, through its subsidiary Rank Hotels, is selling its two hotels *in Italy for an undisclosed sum.*

Last month Rank announced the disposal of its Paris and Brussels hotels. Following these sales, Rank will own only one *hotel in Europe, the Hotel* Medano in Tenerife.

The Italian hotels, the Rumazzino in Sardinia and Valle d'Aosta on the mainland are *being sold to Stopshire, a UK* group. Contracts were exchanged yesterday.

THE TRING HALL USM INDEX
117.2 (+0.2)
close of business 18/12/81
BASE RATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX
Close 520-525 (+5)

FT Share Information

The following securities have been added to the Share Information Service:

Cable and Wireless (Section: Electricals).
Exco International (Trusts, Finance, Land).
Humberside Electronic Controls (Electricals).
Johnstone's Paints (Buildings).
Renison Goldfields Consolidated (Deferred shares) (Mines—Australia).
V.W. (Engineering).

Yellow Advtsr. acquires Informer Grp.

The Yellow Advertiser Newspaper Group, the Essex-based publisher of free distribution newspapers, has acquired the Informer Group which publishes give-away newspapers west of London.

The enlarged group publishes 11 newspapers and projects sales of about £10m in the first full year of combined operation. Yellow Advertiser expects pre-tax profits of more than £700,000 for the year ended June 1982 and states that the group will obtain a quotation for the shares in due course.

The circulation of the combined group is over 650,000, which puts the company among the larger independent free distribution newspaper publishers in the country. Finance *for the acquisition was provided* by County Bank, which holds a 20 per cent stake in the company.

COMMON BROS. IN INSURANCE LINK UP

Subject to the approval of the Committee of Lloyd's, Common Brothers and R. K. Harrison and Company, are working to merge their insurance activities.

The insurance brokerage companies of Horncastle Crawford and West and R. K. Harrison, J. I. Jacobs (Insurance) will form a new joint company.

The R. K. Harrison Underwriting Agency will absorb *Horncastle Underwriting Agencies* within the existing framework of R. K. Harrison and Company.

SPAIN

1981 High	Low		Dec 18 Price
359	251	Banco Bilbao	331
345	280	Banco Central	322
320	229	Banco Exterior	303
330	238	Banco Hispano	325
138	115	Banco Ind. Cat.	115
383	284	Banco Santander	347
219	148	Banco Urquijo	210
366	263	Banco Vizcaya	346
252	203	Banco Zaragoza	228
165.5	82	Dragados	124
82	60	Espanola Zinc	60
72	55	Fecsa	63.5
93	22	Gal. Preciados	40
82.7	63.5	Hidrola	75
62.5	52	Iberduero	56.7
102.5	70	Petroleos	89.7
104	70	Petroliber	103
102	43	Sogefisa	46
80	60	Telefonica	70.5
73.2	60	Union Elect.	70

Bankers in Zurich for Polish rescheduling talks

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

A SMALL group of international bankers is converging on Zurich today for a meeting that will try to make some sense out of the confusion now surrounding Poland's efforts to reschedule some $2.4bn of Western bank debt falling due in the final three-quarters of this year.

The meeting, described as a "brain-storming session," is not expected to result in any decisions being taken, but attempts will be made to assess the possible options for banks owed money by Poland.

It was clear immediately after the military takeover that the proposed rescheduling agreement allowing Poland to defer repayment of some $2.4bn in commercial bank debt due this year was likely to be delayed.

From a purely practical point of view the interruption of communications links between Warsaw and the West made it impossible to proceed with final preparations originally supposed to lead to signature of the agreement in the week after Christmas.

But the 500 banks due to sign the agreement assumed initially that Poland would keep its promise to bring outstanding interest payments of some $450m up to date to allow the agreement to go ahead.

The shock came in mid-week when Poland told 22 international banks that it could not find all this money and asked them for a six-month bridging loan of $350m to finance outstanding interest payments.

Leading German and U.S. banks said immediately that they could not agree to such a request, although some have not yet officially confirmed this to the Polish side.

A widespread feeling among the banks asked for the loan was that if Poland could not find the money itself, it was up to the Soviet Union to do so. In what has become something of a poker game, they are now waiting to see whether Moscow will step in.

West German banks will consider granting Poland further loans only if the German Government gives a complete guarantee for such credits, Mr Harald Kuehnen, chairman of the Association of German Banks, said over the weekend.

The problem facing bankers attending the Zurich meeting is what to do if this does not turn out to be the case. They know that if Poland fails to bring its interest payments up to date there can be no rescheduling agreement covering debt falling due this year. Without that agreement there can be no discussions by Western governments and banks on the urgent problem of debt falling due next year.

Yet most banks want these agreements to go ahead simply to protect their assets in Poland. Poland has not been making repayments of principal since March 26 and without a formal rescheduling agreement the risk of a formal default being declared—which would reduce everybody's chance of being repaid eventually—is very great.

The banks meeting in Zurich constitute a working party set-up by the larger international task force of banks which has been spearheading the negotiations with Poland up till now.

They have to try to assess the feelings of the 500 banks owed money by Poland so a collective response can be prepared in the event of the Soviet Union not helping Poland to meet its interest payments.

The idea of a $350m bridging loan provided by only a handful of banks is now out of the question, but many banks are thought likely to press for a compromise solution rather than see the whole rescheduling agreement collapse.

One solution suggested last week would be to go ahead with the rescheduling agreement, dropping the condition that interest payments should be brought up to date before signature, but insisting instead that this happens by the middle of next year.

Such a proposal would require discussion at a full meeting of the task force of banks, and some bankers said on Friday that the chances of such a meeting early in the New Year were now growing. Others still insist that there is no point in further discussions at this stage.

But whatever the final outcome, leading banks said last week that time was needed to await the outcome of the political developments

INTERNATIONAL BONDS — BY ALAN FRIEDMAN

Closing for Christmas

CREDIT SUISSE First Boston found itself sitting on both the best and the worst issues in the Eurodollar bond market last week.

The two issues—Pacific Gas and Cummins Engine—represent, respectively, a triumph and an embarrassment for the Eurobond market's leading new issue manager.

Pacific Gas, a $60m issue which was increased last week to $80m, carries a 15¾ per cent coupon and a maturity of seven years. The paper was trading on Friday in the range of 101¼ to 101¾, no mean feat given the lacklustre market last week.

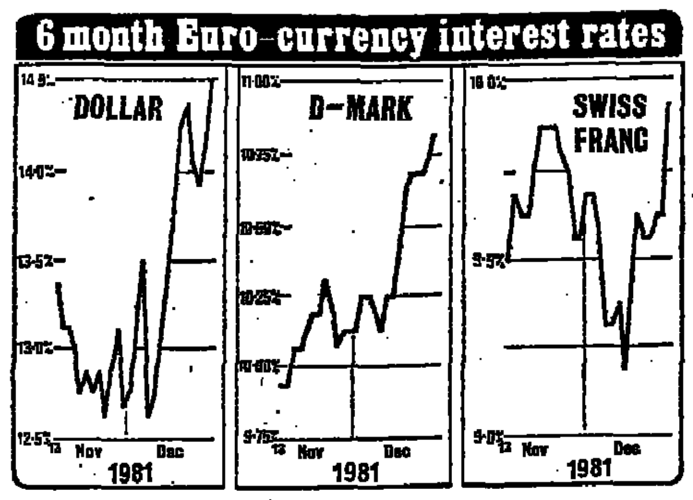
Cummins Engine, in contrast, is a $50m 10-year issue and the coupon is 15½ per cent. The market has complained that the life of the Cummins bonds is too long, that the coupon is too low and that nobody really wishes to invest in a diesel engine company at the moment.

Cummins traded in the region of 92¼ to 93 on Friday, yielding 17.17 per cent at 92¼. Pacific Gas, meanwhile, is yielding 15.45 per cent at 101¼.

It is clear that underwriters in the Cummins deal have been left with a lot of paper on their hands.

The average yield on medium-term new issues of single or double A quality is now about 15⅞ to 16 per cent, roughly between the Pacific Gas and Cummins extremes.

Cummins was not alone last week. A number of recent issues such as Imasco, RCA and Nova have been doing little better. In a stronger market these deals might have prospered. Had they been launched during the height of the rally in November there would have been few problems.



But the pre-Christmas market is residing in a no-man's land: large investing institutions and dealers are closing-up shop for the season, the primary market has dried up and prices are fluctuating in a narrow range.

There was not a single fixed-interest new Eurodollar bond issue launched last week, only one in the D-mark foreign bond sector and two in the Swiss franc foreign bond market. Prices in the dollar sector improved ⅛ point on the week and fell by ½ of a point in the D-mark and Swiss franc foreign bond sectors.

The dollar sector saw the return of L. M. Ericsson, the Swedish borrower which had to withdraw its public $40m offering in late September. This time the company came out with a privately placed convertible offer (9½ per cent coupon and 5 per cent conversion premium)

Lead-managers S. G. Warburg, Svenska Handelsbanken and Skandinaviska Enskilda Banken, say the return of Ericsson was a success and the placing period was brought forward 24 hours. Friday's bid price was 99½ against an issue price of par.

The news of a 2.1 per cent decline in U.S. industrial output for November, suggested a deepening of the recession, and led to hopes of lower interest rates. But the impact on the market was short-lived.

As the recession news came through, six-month Eurodollar deposit rates fell below 14 per cent. By Friday the rate was back to 14½ per cent and talk centred again on the prospects for January and the size of the impending U.S. budget deficit.

On that note, traders from London to Zurich began preparing for the holiday season. Prices can be expected to stay within a narrow band and it looks as though the bond market's action is over for 1981.

FINANCE MINISTRY VIEW

Japan shrinks from world role for yen

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN "actually does not welcome" the transformation of the yen into an international currency, Mr Kiichi Watanabe, the vice Minister of Finance for International Financial Affairs, told foreign journalists last week.

The Government regards yen internationalisation as inevitable and therefore accepts it, but Mr Watanabe described Japan's acceptance as "passive" rather than active.

Mr Watanabe's remarks were made in reply to questions about loopholes in the Finance Ministry's informal system of international yen lending controls. Not described as "controls" by the Ministry itself, these take the form of a "forecast or estimate" of the amount of international loans to be made by Japanese banks in a given six month period, which usually turn out to be close to the amounts actually committed.

The Ministry's "estimate' for the six months to March 1982 is that informal loan commitments will total about Y350bn ($1.6bn) —a rise of Y100bn on its estimate for the previous six months. Whether loan signatures will match the level of informal commitments will depend on how quick commercial banks are in reacting to the estimate or guidance issued by the Ministry.

At the moment demand for yen loans would appear to outrun supply and as a result alternatives to conventional syndicated loans are becoming popular.

There have been two recent cases of foreign airlines signing lease agreements with Japanese leasing consortia which have enabled the companies to obtain financing at low Japanese rates of interest outside the framework of the Ministry of Finance guidelines. Overseas lending by Japanese corporations other than banks is another area which the Finance Ministry seems to regard as being worth watching.

The Ministry view of yen-denominated lease contracts is that these are wholly acceptable if they involve Japanese products, in which case the deals are seen as being similar to yen-denominated supplier's credits. Yen-denominated lease contracts involving non-Japanese products—such as U.S. aircraft sold to Japanese leasing companies and leased back to the seller—are, however, regarded as a possible cause for anxiety.

The Ministry is also watching large-scale, long-term forward transactions on Tokyo foreign exchange market. These are seen as representing a possible indicator of transactions that the Ministry might see as contravening its guidelines.

The Ministry last week asked Japanese and foreign banks (as well as life insurance companies) to keep it informed on a monthly basis of forward foreign exchange dealings exceeding $5m and involving periods of more than one year ahead.

Libor loan for Foncier

A NEW deal has emerged in the Eurocredit market for Credit Foncier, France's State-owned construction finance company. Unlike the loan announced by the State borrower at the start of the month this $200m credit will be based on London interbank offered rates only, with a margin of ⅜ per cent over Libor for eight years.

It is led by Societe Generale, Gulf International and Industrial Bank of Japan, and will be syndicated exclusively with European, Arab and Japanese banks.

The previous credit, now raised by $100m to $300m was led by BNP and Manufacturers Hanover. It was the first French credit to incorporate a pricing over U.S. prime rate and was syndicated entirely with North American banks.

Another deal announced last week was SDR 200m transaction for the African Development Bank. It is led by Bank of America, Bank of Tokyo, Credit Agricole, Chase Manhattan, Chemical and NatWest.

Bankers are bracing themselves for the New Year when a major deal is expected to be announced by Mexico's state oil concern, Pemex.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Pacific Gas and Electric‡	80	1988	7	15¾	100	CSFB	15.750
L. M. Ericsson§**‡	40	1996	15	9½	100	SG Warburg, Svenska Handelsbanken, Enskilda Banken	9.500
Salinas Y Rocha†‡	25	1988	5.8	8●	100	Merrill Lynch, Citicorp	8.000●
Grupo Pliana†‡	40	1988	5	9●	100	Merrill Lynch, Bank of America	9.000●
CANADIAN DOLLARS							
City of Sainte-Foy‡	10	1987	5	16¼	100	Banque Intnl. a Lux.	16.250
D-MARKS							
Eurofima**‡	50	1986	5	9¾	100½	BHF Bank	9.685
Finnish Municipal Loan‡	60	1991	8	10	99	BHF Bank	10.164
Taiyo Yuden§‡	40	1987	6	6	100	Bay. Vereinsbank	6.000
SWISS FRANCS							
Pemex**‡	75	1986	—	8¼	100	SBC	8.250
Anritsu Electric§**‡	30	1987	—	5⅞	100	SBC	5.875
Electricite de France‡	100	1991	—	7	99¾	SBC	7.036
NYK Lines‡	100	1991	—	6⅞	99¾	CS	6.910
Gen. M. Accept. Corp.**‡	200	1986	—	6¾	100	UBS	6.750
ECUs							
Euratom**‡	42	1996	10½	14	100	Banca Com. Italiana	14.000
YEN							
Ireland‡	15bn	1991	9	8½	99.45	Daiwa Securities	8.583
KUWAITI DINARS							
Rashtriya Chemicals**‡	30	1988	7	12¼	100	KIIC	12.250

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ● Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Tribune to withdraw from New York with sale of Daily News

BY IAN HARGREAVES IN NEW YORK

THE TRIBUNE Group of Chicago has signalled its desire to withdraw from an expensive battle with Mr Rupert Murdoch by announcing that the New York Daily News is up for sale.

The News is the largest general circulation daily newspaper in the U.S., with a daily run of 1.5m, and 2m on Sundays, but has come off second best in the past year in the bitter circulation fight with the New York Post, an afternoon daily newspaper owned by Mr Rupert Murdoch.

Earlier this year the News, a morning paper, launched a special afternoon edition to attack the Post, but this was closed in August. At that time, the Tribune Group said it expected the News to lose $11m this year.

Tribune said it was no longer willing to finance the needed capital investment in the News, which prints at two separate locations in New York, by the old-fashioned letterpress method. The News has been considering for some time moving to a single new plant.

Meanwhile, Mr Murdoch's paper is going from strength to strength. Its circulation is now more than 850,000 per day, up from 500,000 when Mr Murdoch bought it in 1976. The Post, however, is continuing to incur heavy losses because of its down-market advertising base and a five cent cover price cut introduced to attack the News.

Montreal and Amsterdam in gold options link

BY ROBERT GIBBENS IN MONTREAL

THE MONTREAL and Amsterdam stock markets are to combine forces in the operation of gold options.

The transatlantic-link will effectively allow 12 hours of continuous trading in gold bullion options, beginning at 10.30 am local Dutch time and ending at 4.30 pm Montreal time.

Under the deal, the Montreal Stock Exchange will buy a half share in the Amsterdam-based European Options Exchange's gold options clearing centre for some C$225,000 (US$189,000). The centre will then service trading in Canada as well as in the Netherlands.

The stock market authorities in Montreal and Amsterdam hope eventually to extend trading for a full 24 hours each day with the addition of an Asian stock market partner. Trading in silver and commodity options could also be introduced.

The actual clearing activities, through a computer in Montreal, will be executed in Amsterdam.

Japan cuts State funding

BY OUR FINANCIAL STAFF

JAPANESE banks and securities houses have accepted Finance Ministry proposals to reduce to Y10,440bn ($47.8bn) the amount of national bonds to be issued in 1982-83.

The borrowing total is Y1,830bn—or 15 per cent—less than the Y12,270 bn set for the current fiscal year ending next March. It is also in line with the "government's policy of administrative and fiscal reform," the Ministry said.

The fiscal 1982 plan comprises Y5,180 bn underwritten by the syndicate, compared with Y7,010 bn this year, an unchanged Y3,500 bn underwritten by the Ministry's Trust Fund Bureau, and an unchanged Y1,760bn of medium-term national bonds issued through public auction.

The amount to be underwritten by the syndicate includes Y4,980 bn of 10-year National Bonds and Y200 bn of five-year Discount Bonds.

U.S. CREDIT MARKETS — BY DAVID LASCELLES

Looking for signs of a new rally

THE U.S. credit markets seem to have lost their way since the bond rally petered out a fortnight ago. Borrowers and investors alike are looking for clues for the next big move, but nothing much is likely to happen until the Christmas lull is over.

Bond prices floated up and down in lacklustre trading that ended essentially unchanged last week. There was little retail interest to ginger up business, and most of the dealing was among traders.

Short-term interest rates rose slightly, by 25 to 50 basis points, causing a couple of banks who had brought their prime rates down a bit too sharply to jack them up again by a ½ of a point to 15¾ per cent, where the majority of banks had held their ground.

Short-term rates, specially the Fed Funds rate, hold the key to any big advance in the bond market.

Fed Funds have stuck in the 12 per cent to 12½ per cent range for several weeks, which is bad for market psychology and prevents traders from stocking up on new inventory.

But the prospects for a drop in the next fortnight or so seem small. Apart from demand for short-term credit being strong for seasonal reasons (Christmas buying and inventory financing) most people on Wall Street are now convinced the Federal Reserve has ceased easing conditions.

The five sizable jumps in the main money supply measure in the past six weeks (M1-B was up another $800m on Friday) cannot be explained away as a quirk, though quite what they do mean nobody seems to know.

The Fed's policy-making Open Market Committee will doubtless be looking at them closely when it holds its regular meetings tomorrow. The meeting is unlikely to produce any big policy shifts, but several analysts believe the Fed may feel compelled to make another gesture, such as cutting the discount rate, to ease the steep recession into which the economy seems to be sliding. The cut may not come until the New Year though.

The problems for the bond market, however, is that the longer the next stage of the rally is delayed the more difficult it will be to get going. The Government deficit will become a growing worry and the Treasury will swing into its next borrowing programme in the New Year.

By January, Wall Street may also start anticipating the economic recovery—indeed some analysts see signs of it already—so if Treasury and private credit demand start picking up at the same time the markets would come under tremendous pressure.

Until that happens, however, most people see further room for improvement in bond prices.

Market weakness caused several borrowers to postpone bond and note offerings last week. General Motors Acceptance Corporation sold $400m of original issue discount bonds carrying a coupon of 5¼ per cent and priced at $39.60 to yield 15.20 per cent to maturity in 2001. GMAC may come to the market for another $250m this week.

U.S. INTEREST RATES (%)

	Week to Dec 18	Week to Dec 11
Fed funds wkly. av.	12.30	12.13
3-month Treas. bills	11.18	11.15
3-month CD	12.36	12.50
30-year Treas. bonds	13.43	13.45
AAA Util.	15.35	15.48
AA Industrial	15.00	15.25
Visible supply	8.6	9.1

Source: Salomon Bros., First Boston.

There are fears in the U.S. bond markets that the impending heavy Treasury borrowing programme may link with increased private credit demand to stall any recovery which might arise next year.

Further delays on Bolivia-IMF pact

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BOLIVIA has run into further delays in its attempts to reach agreement with the International Monetary Fund on a new standby credit facility.

Such an agreement was a condition of the $440m debt rescheduling agreement signed with the banks last April, but because of the delays Bolivia has asked that the condition be waived for a further 90 days until April 16 next year.

The request was transmitted last week to all the banks involved in the agreement in a telex signed by Bank of America on behalf of the Bolivia Co-ordinating Committee of international banks.

The telex urges the banks to agree to the new waiver. It points out that Bolivia has satisfactorily completed debt servicing payments of some $81m on the rescheduled debt despite fears this autumn that it would be unable to meet its obligations.

New economic measures will be implemented next month after the holiday period, to avoid social repercussions, it says.

World Bank to seek $27bn

MR A. W. CLAUSEN, president of the World Bank, expects the international lending agency to borrow more than $27bn over the next three years to support an enhanced programme of loans to developing nations.

He said that the bank's borrowings in the current fiscal year would exceed $8bn and the objective was to increase this to more than $9bn in the year starting next July and then to more than $10bn for 1983-84.

AP-DJ.

INTERNATIONAL APPOINTMENTS

Barclays Bank International makes changes

● Mr Richard Froom, formerly group adviser, export credits, BARCLAYS BANK INTERNATIONAL, London, has been appointed regional executive, export finance, resident in Hong Kong. Mr Froom will develop export credit business originating in Asia, for the Barclays Group and will operate from within Barclays Asia, merchant bankers.

Mr Michael Peart, previously senior vice-president and manager of Barclays Bank International in Manila, Philippines, has been appointed deputy general manager in Hong Kong.

Mr Gerald Shelton appointed senior vice-president and managing manager of Barclays Bank International in Manila in place of Mr Peart. He was previously on secondment to Barclays Bank as an account executive, corporate finance.

Mr Robert Leet appointed executive vice president, Barclays Bank of California. He was previously a senior vice president and regional manager, Wells Fargo Bank.

● MITEL CORPORATION, of Ottawa, plans reorganised senior executive structure in the company. Mr Terence H. Matthews, formerly executive vice president, becomes chairman of the board, to develop and oversee long range policies for product development and market penetration. Dr Michael C. J. Cowpland remains president and chief executive officer to control world-wide operations. Mr Donald R. Gibbs, formerly senior vice president finance, becomes executive vice president finance overseeing world-wide financial planning, operations and reporting. Mr John A. McLennan, formerly senior vice president operations, becomes executive vice president operations responsible for daily worldwide business operations of the switching and telecom divisions. Mr Ralph A. Bennett, formerly senior vice president and general manager semiconductor division, becomes executive vice president and general manager semiconductor division responsible for daily worldwide business operations of the semiconductor division. Mr Donald Smith, formerly vice president corporate product development, becomes executive vice president business development responsible for current and future product development and international market penetration.

Promotions under the executive vice president operations include Mr Theodore G. Nanz, formerly vice president, operations, Mitel Inc. (Boca Raton, Florida), promoted to vice president and general manager, U.S. operations, and Mr Christopher J. Elmer, formerly vice president, operations, Mitel Telecom (Caldicot, England), promoted to vice president and general manager, European operations.

● Mr James D. Sloan, director of engineering, FACTORY MUTUAL INTERNATIONAL, London, has been appointed manager of the company's Melbourne office, replacing Mr Ian Hamilton, who is leaving to join a Melbourne brokerage firm. Mr Sloan's appointment is from January 1. Mr Jan G. Janus has been appointed manager of the Paris office of the company. He is currently manager of the Brussels office and replaces Mr Pierre Saniga, who is leaving the company.

● Mr Takao Kashiwagi has been appointed managing director of THE TAIYO KOBE BANK (LUXEMBOURG) in succession to Mr Yoshio Nakanishi, who is returning to Japan to take up a new position in the Bank.

● AVONDALE MILLS, New York, states Mr Donald Comer III will resign as president, treasurer and chief executive officer on December 31. The company quoted Mr Comer as saying, "a group representing the majority of Avondale's stock recently offered me terms of employment that I found unacceptable. Therefore I have tendered my resignation." The majority of the members of Avondale's executive committee are Comer family members, including the president's father.

● Connecticut General Corporation and Ina Corporation said Mr Ralph Saul, chairman of Ina, will be chairman of the board of the new company formed when Connecticut General and Ina merge. Mr Robert Kilpatrick, president and chief executive officer of Connecticut General will be president of the new company and chairman of the executive committee of the board.

The companies said nine executives, representing both Ina and Connecticut General, will be executive vice-presidents of the new company. The name of the new company will be selected following a study. North American General Corporation is not being considered, but will be used for regulatory filings and other legal documents until a final name is selected. The merger is subject to shareholder and regulator approval.

● Mr Don J. C. Sutherland, chairman and managing director of Miles Laboratories, Slough, Poses, has become chief executive of MILES LABORATORIES in Australia and New Zealand from March 1. His successor will be Dr Charles Neilson, until recently president of Miles' Lab-Tek division based in Chicago, Illinois; Dr Neilson will become managing director of Miles Laboratories from January 1.

● Mr Harry O. Christenson, Mr Frank E. DiGirolamo and Mr Charles N. Hasley to the posts of corporate vice presidents and Mr Charles C. Zwingman Jr to the post of corporate secretary of PENRIL, Rockville, Maryland.

● Mr Rolf Solron will, from January 1, be responsible for the financial controlling of subsidiary companies of SANDOZ, Basle.

● CONTINENTAL GUMMI-WERKE, Bonn, has chosen Mr Helmut Werner as its managing board chairman from January 1. Mr Werner, already a member of the managing board, replaces Mr Carl Hahn, who takes over from Mr Toni Schmuecker as managing board chairman of Volkswagenwerk in Wolfsburg.

● Mr Thomas C. Shortell, head of the bank's agribusiness and commodities division has been appointed a senior vice-president of CITIBANK. He is based in Paris.

● Mr Martin Gray has been appointed vice-president, sales and marketing, North and South America for TRUSTHOUSE FORTE HOTELS. He will be based in New York and joins THF from Sheraton Hotels where he was vice-president, marketing, New York Hotels. He has also held senior appointments with the New York Visitors and Convention Bureau and the Plaza Hotel, New York.

● Mr H. M. P. Miles is to become deputy chairman of HONG KONG AIRCRAFT ENGINEERING COMPANY and Mr D. A. Gledhill is to become a director of the company. Both appointments, Hong Kong based, are from January 1. The company is a member of the Swire Group.

● Mr Homer M. Byington III has joined EUROPEAN AMERICAN BANK, New York, as senior vice president, international division. Mr Byington is in charge of EAB's Latin America and Middle East units as well as the bank's Edge Act office in Miami. In addition, he is responsible for strategic planning on a division-wide basis. Before joining the bank, Mr Byington was with Bankers Trust Company, most recently as senior vice president and head of the Middle East/Africa group.

● BUCKBEE-MEARS COMPANY, of St Paul, Minnesota, has named Mr Ryal R. Poppa as chairman and chief executive officer from January. He will succeed Mr Norman C. Mears, who resigned as chairman but will remain a director. Mr Poppa was president of Pertec Computer Corp., which was acquired by Volkswagenwerk two years ago. He was elected to Buckbee-Mears' board last October.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	100⅞	101⅜	+0⅛	−0⅛	16.18
APS Fin. Co. 17¼ 86	60	102	102½	0	−1⅛	16.48
Armco O/S Fin. 15⅝ 86	50	99½	100	0	+0½	15.44
Bank Montreal 16¼ 91	150	100⅛	100⅞	+0¼	+0¼	16.11
Br. Colum. Hyd. 16⅜ 88	100	102⅛	102⅝	+0⅛	−0⅛	15.63
Br. Colum. Mla. 17 97	54	102⅞	103⅜	0	−0⅛	16.41
Can. Nat. Rail 14⅝ 91	100	95⅝	96⅛	0	−0⅜	15.45
Caterpillar Fin. 16½ 86	100	102	102½	0	−0¼	15.76
CFMP 16¾ 96	100	102⅜	102⅞	0	−0¼	16.26
CIBC 16¾ 91	100	102⅝	103⅛	0	−1	16.11
Citicorp O/S 16⅝ 86	150	102¾	103¼	−0¼	−1⅛	15.76
Cities Service 17 88	150	103⅜	103⅞	0	−0⅜	16.02
Con. Illinois 14¾ 84	100	98⅞	99⅜	+0½	−0⅛	15.07
Cons.-Bathurst 17½ 88	60	102¾	103¼	+0¼	+0¼	16.71
CPC Fin. 16⅝ 86	50	103⅝	104⅛	0	−0⅜	15.47
Dupont O/S 14½ 88	400	98⅞	99⅜	+0⅛	+0¼	14.73
EIB 16½ 88	100	102¼	102¾	−0⅛	−0¼	15.81
EIB 16¾ 91	100	103¼	103¾	−0⅛	−0¼	15.99
GMAC O/S Fin. 16½ 84	300	101	101½	+0⅛	−0⅛	15.86
Gulf States O/S 17½ 88	60	103⅝	104⅛	0	−0⅜	16.42
IBM Wld. Trade 14⅝ 86	60	101⅞	102⅜	0	+0¼	13.88
Nat. Bk. Canada 16½ 88	40	100⅛	100⅝	0	+0¼	17.06
New Brunswick 17 88	60	103⅞	104⅜	+0⅛	−1⅛	15.91
Newfoundland 17¼ 89	60	105⅜	106⅜	0	−0⅜	15.81
New. & Lab. Hy. 17⅛ 89	75	103	103½	0	−0⅜	16.46
Ohio Edison Fin. 17⅛ 88	75	101⅞	102⅜	0	−0½	16.90
OKG 15¾ 97	50	97⅝	98⅛	−0⅛	−0⅜	16.12
Ontario Hyd. 16 91 (N)	200	100⅝	101⅛	+0¼	−0⅛	16.80
Pacific Gas Elec. 16 88	75	101⅛	101⅝	0	−0⅛	15.58
PSNH Int. Fin. 17 86	30	102⅜	102⅞	+0¼	+0⅜	16.07
Quebec Hydro. 17¾ 91	150	105⅛	105⅝	+0¼	−0½	16.09
Quebec Province 15¾ 89	150	97⅛	97⅝	+0¼	+0⅛	15.85
Saskatchewan 16¼ 88	100	100⅞	101¼	+0⅛	−0⅜	15.96
Shell Canada 15¾ 91	100	102⅞	103¼	+0⅜	−1	15.10
Sweden 14⅞ 88	150	95⅛	95⅝	0	−1⅛	15.63
Swed. Ex. Cred. 16½ 93	75	101⅜	101⅞	+0⅛	−0⅛	16.17
Tenneco Int. 17 89	100	103⅝	104⅛	0	−0⅛	16.02
Transcanada 17¾ 88	75	104⅛	104⅞	0	−0⅞	16.50
Transcanada 16 89	100	98⅞	99	+0⅛	−0⅛	16.28
Walt Disney 15¾ 86	100	101¼	101¾	+0⅛	−0⅜	15.21
Winnipeg 17 86	50	103⅝	104⅛	+0⅛	−0⅞	15.74
World Bank 16 86	210	101⅜	101⅞	0	−0¼	15.38
World Bank 16 88	60	101½	102	−0⅛	0	15.48
World Bank 16½ 86	130	102⅞	103⅜	0	−0⅛	15.47
World Bank 16½ 88	100	102⅞	103⅜	−0⅛	−0¼	15.67

Average price changes.. On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99⅝	100⅛	+0¼	0	9.98
Asian Dev. Bank 10¾ 89	100	101¾	102	−0¼	+0½	10.42
Austria Rep. of 8¼ 92	150	91⅝	92⅝	0	−1⅛	9.46
Belgelectric 11 91	100	100⅞	101⅜	+0⅛	−1	10.86
CECA 10 91	120	100⅝	101¼	−0¼	−1⅛	9.86
Council of Europe 10 91	100	100⅝	101⅛	0	+0¼	9.86
Cncl. of Europe 10¼ 91	100	100	101	−0¼	−0⅛	10.16
EIB 8½ 90	200	93⅝	94⅛	−0⅜	−0⅛	9.57
EIB 10½ 91	200	101⅞	102⅜	−0½	−0⅞	10.10
ESCOM 9¼ 87	100	95⅝	96⅝	+0½	−0⅞	10.30
Finland, Rep. of 10 89	100	99⅝	100⅛	+0¼	0	9.98
Ind. Bk. Finland 8½ 90	60	91⅝	92⅛	0	0	9.89
Int.-Am. Dv. Bk. 10 91	100	100⅞	101⅜	+0½	+0⅜	9.78
Japan Air Lines 8¼ 87	100	95⅞	96⅜	0	+0¼	8.98
Japan Dev. Bk. 7⅞ 87	100	93⅜	93⅞	−0¼	−0⅛	9.12
Midland Int. Fin. 8½ 90	180	93⅜	93⅞	0	−0⅞	9.62
Mt. Bk. Dnmk. 10½ 91	100	99⅝	100⅛	0	0	10.49
Nat. West. 11 91	125	104	104½	−0¼	−0⅜	10.28
OKB 10¼ 91	150	100⅜	100⅞	0	−0⅜	10.01
Renault Accept. 10⅝ 88	150	100⅛	100⅝	0	0	10.57
Swed. Ex. Cred. 10¼ 91	100	99⅜	99⅞	+0⅜	+0⅛	10.34
Venezuela, R. of 9¾ 90	150	95⅛	95⅞	+0⅝	+0⅛	10.55
World Bank 11 91	100	103½	104	−0⅞	−0½	10.35

Average price changes .. On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94	94⅛	−0⅛	−1⅛	7.38
Asian Dev. Bank 8 90	80	101¼	102	+0¼	−1⅛	7.70
BFCE 6½ 91	100	95⅛	95⅝	+0⅞	−0⅛	7.16
Belgelectric Fin. 7¼ 91	100	100⅛	101	−0⅛	−1½	7.61
Bell Canada 7¼ 93	100	104	104⅛	+0⅛	−0½	6.73
Bergen, City of 6¾ 91	40	100¼	100½	−0⅛	0	6.69
Bat. de Autopistas 8 90	50	100	100¼	0	−0⅞	7.98
CECA 6¾ 91	80	99	99¼	−0⅛	−0⅞	6.87
Dome Petroleum 5¾ 91	100	94⅛	94⅝	+0⅛	−0⅛	6.57
Dome Petroleum 7¼ 90	100	103	103¼	−0¼	−0⅛	6.75
Franc. Petroles 6½ 91	80	95⅛	95⅝	+0¼	−0⅛	7.17
Genstar 7 91	100	102	102¼	−0⅛	−0⅛	6.68
Int. Amer. Dv. Bk. 7 91	100	98⅝	98⅞	+0⅛	−0⅛	7.18
I/S Elsam 8½ 91	60	103⅝	103⅝	−0¼	−0⅜	7.95
Japan Air Lines 7¾ 31	100	103	103¼	+0¼	−0⅜	6.21
Neder. Gasunie 8 91	100	105½	105¾	+0¼	−0¼	7.18
OKB 7 93	100	99	99¼	−0½	−1	7.11
OKB 7¼ 91	100	100¼	100½	−0⅛	−0½	7.19
Oslo, City of 8 91	100	104⅛	105	−0⅛	−0⅛	7.29
Saint Etienne 8½ 91	20	104⅛	104½	+0⅛	+0⅛	7.85
Swed. Ex. Credit 7½ 91	75	97½	98	0	−0⅞	7.59
TNT O/S Fin. 8 91	50	103½	103¾	−0⅛	−0⅛	7.47
Unilever NV 7½ 93	100	104	104¼	0	−1⅛	6.98
World Bank 6 91	100	93⅛	93⅝	0	−0¼	7.02
World Bank 7 90	100	99½	99⅞	−0¼	−1½	7.05
World Bank 8 91	100	103¼	104	0	−1¼	7.43

Average price changes... On day −0⅛ on week −0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	99	100	−0¼	−0⅝	8.32
Australia 8⅝ 91	20	99½	100	−0½	−0⅜	8.27
EIB 7⅞ 89	12	97⅛	98½	−0⅜	−0⅜	[illegible]
Finland, Rep. of 8⅞ 87	15	101¼	102	0	−0⅝	[illegible]
Int.-Amer. Dev. 8⅜ 91	15	101	101½	−0⅜	−0⅝	[illegible]
New Zealand 8⅛ 87	15	99½	100⅛	−0⅜	−0⅜	8.54

Average price changes... On day −0⅜ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†98	98⅞	−0⅛	+0¼	17.31
Federal Dev. 17¾ 86 C$	40	†104½	105½	−0½	−1	16.14
GMAC (Can.) 18 87 C$	60	†104	105	0	+0½	16.66
Pancanadian 16½ 88 C$	65	†98	98½	0	0	16.94
Queb. Urban 16¾ 86 C$	20	†100½	101½	0	0	16.44
Roynat 17¼ 86 C$	40	†100¼	101	−0¼	+0¼	17.01
Tordom Cpn. 13½ 85 C$	30	†94½	95½	0	+0½	15.40
M. Bk. Dnmk. 9 91 EUA	25	82⅞	84⅛	0	+1⅛	11.92
SOFTE 8¼ 89 EUA	40	78	79¼	−0⅜	−0¼	12.82
U. Bk. Nwy. 9½ 90 EUA	18	91	91⅞	0	+1⅞	11.14
Algemene Bk. 10¼ 86 Fl	60	98½	99	−0¼	+1	10.61
Amfas Group 12¾ 86 Fl	40	102⅜	102⅞	0	+1¼	11.51
Amro Bank 12 86 Fl	75	102	102½	+0⅛	+0⅛	11.29
Amro Bank 12 86 Fl	60	101¼	101¾	−0¼	−0⅛	11.56
Heineken NV 10 87 Fl	100	95⅝	96⅛	−0¼	+0¼	11.00
Pierson 10¼ 88 Fl	50	97⅛	97⅝	0	+0¼	11.04
Rabobank 12 86 Fl	60	101	101½	0	+0¼	11.58
Air France 14½ 86 FFr	200	92⅝	93⅝	0	+0¼	16.86
Bk. America 14½ 86 FFr	250	93	94	−0⅛	−0⅜	16.62
Charb'nages 13⅞ 86 FFr	400	92¼	93⅛	0	+0¼	16.54
EIB 14½ 88 FFr	300	89⅛	90¼	+0⅛	+0¼	16.98
La Redoute 14¼ 85 FFr	125	91	92	0	+0⅛	17.49
OKB 14 86 FFr	400	91⅝	92¼	0	+0⅛	16.68
Solvay et C 14¾ 86 FFr	200	92	93	0	0	17.32
Swed. E. Cr. 14⅝ 86 FFr	250	92	93	0	+0⅝	17.14
U. Mex. Sts. 14 85 FFr	150	91¼	92⅛	0	+0⅛	17.25
Acona 14 85 £	20	91⅛	92⅛	0	+0¼	16.87
Beneficial 14¾ 90 £	20	84⅞	85⅜	+0⅛	+0¼	17.67
BNP 13½ 91 £	15	85⅝	86⅝	0	0	16.60
CECA 13½ 88 £	20	90	91	0	+0⅞	15.84
Citicorp O/S 13½ 90 £	50	88⅞	89⅞	−0½	+0¼	15.86
Fin. Ex. Cred. 13¾ 86 £	15	91⅞	92⅞	0	+0¼	16.28
Gen. Elec. Co. 12½ 89 £	50	87½	88½	0	+0¼	15.32
Hiram Walker 14¾ 86 £	25	93⅞	94⅞	0	+0¼	16.07
Privatbanken 14½ 88 £	12	92⅝	93⅞	0	+0¼	16.22
J. Rothschild 14¼ 90 £	12	94⅛	95⅛	−0⅛	+0¼	15.36
Royal Trustco 14 86 £	12	94⅛	95⅛	0	+0¼	15.74
Swed. Ex. Cr. 13⅜ 86 £	20	91	92	0	−1⅞	16.63
Akzo 9¼ 87 LuxFr	600	85⅝	86⅝	0	−0⅞	12.74
Euratom 9⅞ 88 LuxFr	500	84⅞	85⅞	0	−1⅛	13.42
Eurofima 10½ 87 LuxFr	500	89	90	0	−0⅜	13.17
EIB 9⅞ 88 LuxFr	600	85⅞	86⅞	0	−0⅜	13.12
Volvo 9¾ 87 LuxFr	500	86⅛	87⅛	0	−0¼	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅞	100	18/12	16⅜	16.79
Bank of Montreal 5¼ 91	0⅛	99⅞	99⅞	29/4	17.06	17.13
Bank of Tokyo 5¼ 91	0⅛	98	98½	10/6	13⅛	13.49
Bk. Nova Scotia 5¼ 93	0⅛	99¼	100⅛	29/4	17.00	17.06
BBL Int. 5 86	0¼	99⅛	99⅝	20/5	13½	13.57
BFCE 5¼ 88	0⅛	99⅞	100⅛	26/4	16.94	16.96
Christiania Bk. 5½ 91	‡0⅛	98⅞	99⅛	5/2	15.56	15.72
Co-Ban Eurofin 5½ 91	0¼	98½	99	14/4	16.69	16.90
Den Norske Cred. 5½ 93	0⅛	97⅛	97⅝	4/12	13.56	13.89
Genfinance 5¼ 87	0¼	100¼	100⅝	30/4	17.06	17.00
Genfinance 5¼ 92	0⅛	99⅞	100	30/12	18.31	18.36
Giro und Bank 5¼ 91	‡0⅛	99	99½	23/12	17½	17.63
GZB 5¼ 92	‡0¼	98⅛	99	5/3	13⅛	13.29
Ind. Bank Japan 5¼ 88	0¼	98⅛	99	9/5	13.31	13.48
Lloyds Eurofin 5¼ 93	§0⅛	99⅝	99⅞	29/4	17.13	17.19
LTCB Japan 5½ 89	0¼	98⅞	99⅜	16/1	18.32	18.48
Midland Int. Fin. 5 91	0⅛	99⅝	100⅛	30/4	17.06	17.06
National Fin. 5½ 88	0¼	98	98½	25/3	17.31	17.62
Nat. Bk. Canada 5¼ 88	0¼	99⅝	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5⅞ 91	§0¼	99	99⅜	15/1	18⅛	18.24
Nat. West. Fin. 5¼ 92	§0⅛	99¼	100	23/4	17	17.06
Nordic Int. Fin. 5½ 91	0¼	98⅛	99⅛	6/5	15⅜	15.78
Offshore Mining 5¼ 91	0¼	98⅝	99⅛	2/8	13	13.20
Pemex 6 91	0⅛	98	98½	8/4	17	17.30
Pemex 5¼ 88	0¼	†98	98½	14/2	18.81	19.16
Sanwa Int. Fin. 5¼ 88	0⅛	99⅝	100⅛	24/3	17¼	17.27
Sec. Pacific 5¼ 91	0⅛	98⅝	99⅛	24/5	13⅛	13.40
Societe Generale 5¼ 91	0⅛	99⅜	99⅞	22/1	18⅝	18.70
Sparebanken 6 87	0⅛	98⅛	99⅛	19/12	16.81	16.98
Standard Chart. 5¼ 91	0⅛	98⅛	98⅝	18/5	13.31	13.53
Sumitomo Fin. 5½ 88	0⅛	99⅝	100⅛	6/2	19.56	19.56

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	98½	100	+0¼	2.03
Bow Valley Inv. 8 95	4/81	23.12	103⅛	105	0	17.68
Canon 6¾ 95	1/81	229	115½	117½	−3⅛	2.28
Daiwa Secs. 5½ 96	12/81	539	†83½	85½	−0⅛	1.19
Fujitsu Fanuc 4½ 96	10/81	6770	104½	106	−0⅛	4.31
Furukawa Elec. 5¼ 96	7/81	300	120¼	122	+0¼	1.43
Hanson O/S Fin. 9½ 96	8/81	2.74	190	91	+1	−2.41
Hitachi Cred. Cpn. 5 96	7/81	1968	95	97	+0¼	13.69
Inchcape 8 95	2/81	4.55	†58½	60	−0⅛	25.67
Kawasaki 5¼ 96	9/81	229	83	84½	−0⅛	5.13
Marui 6 96	7/81	931	104½	106	−0⅛	−2.49
Matsushita El. 7½ 95	11/80	590	99½	101	−0⅛	−0.08
Minolta Camera 5 96	10/81	909	†75	76½	0	7.28
Murata 5¼ 96	7/81	2190	80½	82	−0½	30.25
NKK 6½ 96	7/81	188	97½	99	−2	−7.09
Nippon Chemi-C. 5 91	10/81	919	†79	81	0	3.92
Ricoh 6½ 95	8/80	604	112	114	−2¼	1.67
Sanyo Electric 5 96	10/81	652	†81½	83	+1	12.66
Sumitomo Met. 5¼ 96	10/81	305	84	85½	0	4.54
Swiss Bk. Cpn. 6⅞ 90	9/80	200	178	80	−1	24.09
Taylor Woodrow 8½ 90	1/81	4.54	178	79	[illegible]	[illegible]
Transco Int. 8⅞ 95	2/81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricoro 8⅝ 95	12/80	31.25	175½	77	0	51.29
Union Bk. Switz. 5 86	2/80	70.78	182	84	[illegible]	5.42
Sharp Cpn. 6⅞ 88 DM	11/80	581.2	172½	173½	−0½	2.55
Uny Co. 6⅞ 86 DM	11/79	679.3	102⅞	103¾	−0¾	−3.16

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	3,837.2	6,643.4
Previous week	3,495.2	7,133.9
Other bonds		
Last week	907.8	867.8
Previous week	865.0	775.5

* *No information available—previous day's price.*

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: *Denominated in dollars unless otherwise indicated.* Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

INSURANCE

MPs' ruling throws Lloyd's into open conflict

BY JOHN MOORE

AN UNUSUAL commercial drama is unfolding behind the doors of committee room five in the House of Commons. Before a committee of four MPs, Lloyd's underwriters and insurance brokers are in open conflict with each other.

The judicial proceedings in which the argument is being conducted has prevented hand-to-hand combat but passions were running high last week.

What has aroused normally-phlegmatic members of this respected insurance market to fury is a ruling by the Commons committee, chaired by Mr Michael Meacher (Lab. Oldham W), which will require many insurance brokers to sell a significant part of their businesses. Many brokers could lose revenues and profits as a result.

Lloyd's is seeking wider powers of self-regulation in a privately-promoted Bill of parliament. The Commons committee has been concerned that there are conflicts of interest which will undermine the effectiveness of those self-regulatory powers.

After hearing crucial and damning evidence in earlier hearings from Mr Ian Posgate, a leading Lloyd's underwriter, that there were conflicts of interest, the Commons committee ruled that brokers should terminate their shareholding links with underwriting syndicates and that its ruling should be incorporated in the Lloyd's Bill.

Ironically, and by what legal counsel described as "a byzantine twist," Mr Posgate is on the opposite side to his employer, the Alexander Howden Group, which is petitioning for removal of the clause from the Bill.

Mr Posgate also finds himself on the side of one of his arch rivals and competitors in the Lloyd's underwriting market, Mr Stephen Merrett. Mr Merrett, giving evidence for Lloyd's, told the Meacher committee that "there is a conflict of interest" and that the disposal of the conflict of interest "will be beneficial to the stature that our market has throughout the world."

Mr Ronald Taylor, chairman of Willis Faber, another major Lloyd's broker, appeared for Lloyd's in support of the divestment clause and against Alexander Howden. At the end of his evidence Mr Meacher was not absolutely clear whether Mr Taylor was in favour of divestment, and he sought clarification.

Mr Taylor told the committee: "I think it would have been really better had we left things to a council with proper teeth."

That view is shared by the Howden lobby. Mr Taylor's personal belief is that measures short of divestment of equity links, such as some form of formal separation, would have been adequate. But he accepted that evidence had been given to the Meacher comittee which had led to the decision.

Mr Kenneth Grob, chairman of Alexander Howden, then gave the opening evidence for his group's case. "The fact that we are within the same group, both brokers and underwriters, has been the most enormous benefit to us." He explained that the relationship had helped with the growth of business over the last 20 years.

Mr Grob warned that divestment could have adverse effects of the City, in the London insurance market in particular, and divide the London insurance community. Moreover, the ownership of the agency companies which run underwriting syndicates might fall into the wrong hands if brokers were forced to sever their links.

But counsel for Lloyd's commenting on Howden's extensive reinsurance business placed overseas, asked Mr Grob: "Does it not seem that, far from your making a great contribution to the Lloyd's market and the City of London you are taking out more than you are putting in?"

Howden then called Mr Colin Murray, a broker turned underwriter formerly with C. T. Bowring but since 1963 an underwriter with R. J. Kiln and Co., an independent underwriting agent. "My view is that divestment would not be in the interests of any of the individuals or groups concerned with Lloyd's, names (members), employees or clients and I think it could have some very harmful long-term effects," he said.

Next on the stand for Alexander Howden was Mr John Wallrock, chairman of Minet Holdings, another major Lloyd's broking group. "I have never known in my career," which in Mr Wallrock's case at Lloyd's stretched back to 1950, "any syndicate that is managed by one of these major broking houses to have any problems."

During evidence Mr Wallrock told the committee that he had removed three underwriters in the last five years from their positions in his group for various reasons. "You make me sound like a hatchet man," he said under questioning from Mr Reg Race (Lab., Wood Green).

In cross-examination Mr Wallrock said: "As a Lloyd's man I fully supported the Fisher report." That report was prepared by Sir Henry Fisher and recommended the divestment proposal which is now before Parliament. But Mr Wallrock added that, while he supported the Fisher report as "a Lloyd's man, I am not supporting the contents."

He and others that gave evidence complained that Sir Henry had not personally invited the chief executives of major broking groups to give evidence before his working party, and that the working party had not taken sufficient advice from "market men."

Two other underwriters, Mr Terence Hayday, managing director of Holmes Hayday Underwriting Agencies, and Mr Henry Ralph Rokeby-Johnson, an underwriter with R. W. Sturge, also rallied to the Howden cause, and at least one more senior underwriter will give evidence for Howden this week.

He is expected to be Mr Robert Kiln, a member of the committee of Lloyd's who recently tendered his resignation over policy differences and disputed the way in which the chairman and deputy chairmen of Lloyd's were elected.

By Tuesday the Commons committee will have made up its mind. If it rejects the Howden cause, Howden will fight on in the House of Lords.

THE ISSUE: Lloyd's insurance brokers, the buyers of insurance, should terminate their equity links with managing agency companies, which run Lloyd's underwriting syndicates, the sellers of insurance.

WHAT THE MEACHER COMMITTEE WANTS: Lloyd's should include a clause in its Bill of parliament for improving the market's self-regulation which will make this termination of links—known as "divestment"—mandatory.

LLOYD'S POSITION: Initially, Lloyd's *did not* support mandatory divestment, and argued that the issue should be left for discussion to a new Lloyd's ruling council, which will be created by the new legislation. After the request by the Meacher committee it now supports the inclusion of the "divestment" clause in the Bill.

ALEXANDER HOWDEN GROUP'S POSITION: Howden, a major financial holding company with extensive Lloyd's broking and underwriting interests, opposes the divestment clause because it claims it would be "injuriously affected" if it becomes law. Others at Lloyd's support the Howden view for a variety of reasons.

Howden has lodged a parliamentary petition which seeks to have the clause removed.

IAN POSGATE'S POSITION: Mr Posgate, a leading Lloyd's underwriter and a director of Alexander Howden, together with *Mr Malcolm Pearson*, chairman of a Lloyd's broking firm, has financially supported two underwriting members' parliamentary petition. That petition, lodged earlier this year, persuaded the Meacher committee that divestment was necessary and led to the committee's ruling. Posgate and Pearson have now joined forces with Lloyd's and are battling against Alexander Howden.

BASE LENDING RATES

A.B.N. Bank	14½%	Grindlays Bank	‡14½%
Allied Irish Bank	14½%	■ Guinness Mahon	14½%
American Express Bk.	14½%	■ Hambros Bank	14½%
Amro Bank	14½%	Heritable & Gen. Trust	14½%
Henry Ansbacher	14½%	■ Hill Samuel	§14½%
Arbuthnot Latham	14½%	C. Hoare & Co.	†14½%
Associates Cap. Corp.	16 %	Hongkong & Shanghai	14½%
Banco de Bilbao	14½%	Knowsley & Co. Ltd.	15 %
BCCI	14½%	Lloyds Bank	14½%
Bank Hapoalim BM	14½%	Mallinhall Limited	14½%
Bank of Cyprus	14½%	Edward Manson & Co.	15½%
Bank Street Sec. Ltd.	16 %	Midland Bank	14½%
Bank of N.S.W.	14½%	■ Samuel Montagu	14½%
Banque Belge Ltd.	14½%	■ Morgan Grenfell	14½%
Banque du Rhone et de la Tamise S.A.	15 %	National Westminster	14½%
Barclays Bank	14½%	Norwich General Trust	14½%
■ Beneficial Trust Ltd.	15½%	P. S. Refson & Co.	14½%
Bremar Holdings Ltd.	15½%	Roxburghe Guarantee	15 %
Bristol & West Invest.	16 %	E. S. Schwab	14½%
Brit. Bank of Mid. East	14½%	Slavenburg's Bank	14½%
■ Brown Shipley	15 %	Standard Chartered	‖14½%
Canada Perm't Trust	15 %	Trade Dev. Bank	14½%
Cavendish G'ty T'st Ltd.	15½%	Trustee Savings Bank	14½%
Cayzer Ltd.	15 %	TCB Ltd.	14½%
Cedar Holdings	15 %	United Bank of Kuwait	14½%
■ Charterhouse Japhet	15 %	Whiteaway Laidlaw	15 %
Choulartons	15½%	Williams & Glyn's	14½%
Citibank Savings	¶15 %	Wintrust Secs. Ltd.	14½%
Clydesdale Bank	14½%	Yorkshire Bank	14½%
C. E. Coates	15 %		
Consolidated Credits	15 %		
Co-operative Bank	*14½%		
Corinthian Secs.	14½%		
The Cyprus Popular Bk.	14½%		
Duncan Lawrie	14½%		
Eagil Trust	14½%		
E.T. Trust	15 %		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	15 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%, 1-month 12.75%. Short term £8,000/12 months 15.10%.
† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13%, and over £50,000 13¾%.
‡ Call deposits £1,000 and over 12¼%.
§ Demand deposits 12½%.
¶ 21-day deposits over £1,000 13½%.
‖ Mortgage base rate.

TransCanada PipeLines Appointments

H. Neil Nichols — M. T. G. Graye

TransCanada PipeLines is pleased to announce the appointments of H. Neil Nichols as Senior Vice President, Corporate Finance, and Mitchell T. G. Graye as Vice President and Treasurer. Mr. Nichols has held several senior management positions since joining the company in 1956. Mr. Graye joined TransCanada in 1981 after several years of utility corporate finance experience with a major Canadian investment firm.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
1,174	ABI Hldgs 10pc CULS	118	+ 2	10.0	8.5	—	—
3,878	Airsprung	67	+ 1	4.7	7.0	10.6	14.7
1,100	Armitage & Rhodes	44	+ 1	4.3	9.8	3.7	8.3
12,037	Bardon Hill	197	+ 4	9.7	4.9	9.6	11.7
6,809	Deborah Services	88	—	5.5	6.3	4.4	8.3
4,649	*Frank Horsell*	124	+ 1	6.4	5.2	11.2	27.0
9,390	Frederick Parker	65	+ 1	1.7	2.6	28.3	—
867	George Blair	47	+ 1	—	—	—	—
4,061	IPC	100	—	7.3	7.3	7.2	10.9
2,479	Jackson Group	98	+ 1	7.0	7.1	3.1	7.0
15,724	James Burrough	114	+ 1	8.7	7.6	8.3	10.5
2,683	Robert Jenkins	263	—	31.3	11.9	3.7	9.3
2,340	Scruttons "A"	54	—	5.3	9.8	8.3	7.7
4,076	Torday & Carlisle	167	− 1	10.7	6.4	5.4	9.9
2,778	Twinlock Ord	13	− 0½	—	—	—	—
1,993	Twinlock 15pc ULS	73	+ 1	15.0	20.5	—	—
4,730	Unilock Holdings	31	− 1	3.0	9.7	5.5	9.4
9,760	*Walter Alexander*	77	—	6.4	8.3	5.1	9.0
4,948	W. S. Yeates	212	—	13.1	6.2	4.0	8.2

Public Works Loan Board rates

Effective December 19

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	16¾	16½	16¾	17¼	17¼	17¼
Over 5, up to 6	16½	16½	16¾	17¼	17¼	16¾
Over 6, up to 7	16½	16½	16¾	17¼	17¼	16¾
Over 7, up to 8	16½	16¾	16¾	17¼	17¼	16¾
Over 8, up to 9	16½	16½	16¾	17¼	17¼	16¾
Over 9, up to 10	16½	16½	16¾	17	17¼	16¾
Over 10, up to 15	16½	16½	16½	17	17	16½
Over 15, up to 25	16	16	16½	16½	16½	16½
Over 25	16	15¾	16½	16½	16	16½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Rates fear for rents on London offices

Financial Times Reporter

GROWTH in central London office rents could be hit if the rates burden on tenants continues to rise, Bernard Thorpe and Partners, the estate agents, has warned.

London office rents have risen substantially in recent years but the agents say that continuing growth will depend to some extent on the effect of increasing costs facing tenants. They admit that, as a counterbalance, there is a limited supply of new office space being developed and scarcity will have an impact on rentals.

But Mr Alex Kaye, a partner with Bernard Thorpe, says that potential tenants are carefully examining the gross cost of running a business in central London. Many are choosing instead to locate in areas where rates are more stable.

He adds in the agents' latest property market report: "The former disadvantages of being outside the capital are to a large extent being overcome by improvements in communications."

Mr Kaye says once all the economies which can be made in the running of an office building have been achieved: pressure will be brought to bear on the one element of overhead costs on which the tenant can hope to have some influence—rentals.

"The reduction in rental growth is already manifest in secondary office locations, and the lack of market activity at current rental levels in the prime area of Mayfair would seem to point to an overall reduction of rental growth."

EEC newsprint use 'likely to rise 2.5%'

BY ANDREW FISHER

A RECOVERY in EEC newsprint consumption is forecast for next year by the Economist Intelligence Unit, though it warns that the rise will be patchy in some countries.

Overall consumption is expected to rise by around 2.5 per cent after a year in which total EEC demand is likely to have fallen by around 2 per cent in volume.

The unit's latest quarterly paper and packaging bulletin said the financial position of many newsprint companies should improve over the next 12 months as costs settle and profit margins improve.

But competition will still be fierce, and Canadian producers are likely to switch more exports to the EEC. The Economist unit said Scandinavian sales could also grow markedly as capacity increases.

Next year should see a useful rise in newsprint demand in West Germany and the Benelux countries, while growth in France, Italy, and the UK will be limited. No major increase is expected until the latter part of 1983.

This year, newsprint consumption is estimated to have fallen in the UK and the Netherlands by some 5 per cent, with a drop of 10 per cent in Italy. West German demand edged up by 1 per cent, while French consumption rose by 4 per cent.

The economist unit said newspaper circulation in some EEC countries had fallen significantly, mainly because of higher cover charges. Any sales recovery will be slow if there are further price rises.

Advertising spending should recover once consumer demand starts to rise, the unit added.

Record £3m on arthritis studies

A RECORD £3m was spent on research into arthritis last year. The money paid for more than 100 projects. The Arthritis and Rheumatism Council says it hopes to raise more than £4m for research next year.

This week in Parliament

TODAY

Commons: Consolidated Fund Bill.

Select Committees: Home Affairs, sub-committee on Race Relations and Immigration. Subject: Proposals on free use of NHS by foreigners. Witnesses: West Midlands Health Authority. National Union of Public Employees, National and Local Government Officers Association. Confederation of Health Service Employees. Room 15, 11 am. Committee on Private Bill. Lloyd's Bill, Room 5, 10.30 am.

TOMORROW

Commons: Hops Marketing Bill, further proceedings. Currency Bill, remaining stages. Debate on situation in Poland. Debate on situation in Middle East.

Lords: Consolidated Fund Bill. Royal Assents to Bills.

Select Committees: Committee on Private Bill, Lloyd's Bill. Room 5, 10.30 am.

WEDNESDAY

Commons: Meets at 9.30 am Questions until 10.30 am. Various adjournment debates until 3.30 pm.

APPOINTMENTS

James Miller joins Life Association of Scotland

Mr James Miller has been appointed to the board of THE LIFE ASSOCIATION OF SCOTLAND. Mr Miller, who is president of the Edinburgh Chamber of Commerce, is chairman and managing director of James Miller and Partners.

★

GREENWICH CABLE COMMUNICATIONS has appointed Mr Brian Harpur to the main board as the non-executive director representing Associated Newspapers, owners of 15 per cent of the Greenwich equity.

★

AVIATION AND GENERAL INSURANCE COMPANY states that from January 1 Mr D. S. Craigen retires from the chairmanship of the company due to his retirement as general manager of The Prudential Assurance Company. Mr P. R. Dugdale, formerly deputy chairman, is elected chairman and Mr E. Holland is elected director to replace Mr Craigen.

★

LONDON INTERSTATE BANK has appointed Mr John C. Rahming as deputy managing director. Mr Rahming was affiliated with Citibank and Security Pacific Bank.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. *The board meetings are mainly* for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Border and Southern Stockholders Tst., Winchester House, 100 Old Broad Street, EC, 12.30
Stocklake Hldgs., Winchester House, 100 Old Broad Street, EC, 12.00
Yorkshire and Lancashire Inv. Tst., 37 Queen Street, EC, 12.00

BOARD MEETINGS—
Finals:
Burns-Anderson
Dubilier
Spencer Clark Metal Inds
Interims:
Hanover Inv
Horton and Wright
RFD
Siebe Gorman
Sterling Inds
Trident Television
Interims:
Forminster
Hesketh Moto-cycles
Scottish and Newcastle Breweries

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks 3.5p
Bambers Stores 0.6p
British Inds. and General Inv. Tst. Dfd. 3.5p
Cambrian and General Secs. 3.7p
Drayton Cons Tst. 5.9p
Essex Water Debs. 1½ 2 2½ 2¼ (80-82), 2½ (81½-91), 2¾ 3 3¼ 3½ (86-88), 3½ (87-89), 3¾ 4 5 5½pc
Flight Refuelling 1.4p
Group Lotus Car 0.7p
Kirta Kellas Tin Dredging 3p
Lowland Inv. 2.6p
Modern Engineers of Bristol 1p
Multibanco Comermex SA Fltg. Rate Notes 1984 $86.40
Newman-Tonks 3.45p
North Sea Assets 2.5p
Pfizer 40 cts
Pyramid Grp. 0.577p
Stocklake Hldgs. 4.5p
Unilever NV Sub. 57.2995p
Do. Certs. Br. (Fl 100) Fl 22.2
Do. Certs. Br. (Fl 1000) Fl 222
Unilever 9.96p
Whatlings 1p
Halliburton 40 cts
London Prudential Inv. Tst. 2.25p
Midland Int. Financial Services BV Gtd. Fltg. Rate Notes 1989 $443.20
Narborough (FMS) Rubber Est. 1.4p
Yorkshire and Lancashire Inv. Tst. 1.35p

TOMORROW

COMPANY MEETINGS—
Aberdeen Tst., 10 Queen's Terrace, Aberdeen, 12.00
Audio Fidelity, La Plata House, 147 Sunbridge Road, Bradford, 10.00
British Assets Tst., 1 Charlotte Square, Edinburgh, 12.00
Fisher (Albert), Clifton Arms Hotel, Lytham, 2.30
Strong and Fisher, The Moat House Hotel, St Mary's Street, Bedford, 12.00
Wemyss Inv., 4 Melville Crescent, Edinburgh, 11.30
Wyatt (Woodrow), Winchester House, 77 London Wall, EC, 11.00

BOARD MEETINGS—
Finals:
Cronite
Grand Met

WEDNESDAY DECEMBER 23

COMPANY MEETINGS—
Long and Hambly, Winchester House, 100 Old Broad Street, EC, 11.30
Moss Eng., Shenstone Hall, Shenstone, Lichfield, 2.00
Samuelson Film Service, 100 Cricklewood Lane, NW, 12.00
Scottish and Cities Inv. Tst., Winchester House, 100 Old Broad Street, EC, 12.00

BOARD MEETINGS—
Finals:
Lazard Brothers Sterling Reserve Fund
Reliant Motor
Interims:
Assoc. Communications
Cook (William) (Sheffield)
Melody Mills
Norton (W. E.)
Rotaprint

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Tst. 4p
Billam (J.) 1.4p
Girozentrale Und Bank Der Osterreichischen Sparkassen AG Fltg. Rate Subord. Notes 1991 $44.24
Great Universal Stores Ord. Stock Units 8p
Nat. West. Bank Fltg. Rate Cap. Notes 1990 $91.82
Scandinavian Finance BV Sdg. Fltg. Rate Notes 1990 $39.11
Scottish Cities Inv. Tst. 7.5p
Thai Farmers Int. Finance Gtd. Fltg. Rate Notes 1984 $91.50

BOARD MEETINGS—
Finals:
De Beers Ind.
Interims:
Russell Bros. (Paddington)

THURSDAY DECEMBER 24

DIVIDEND & INTEREST PAYMENTS—
Black and Decker 19 cts
Eula Int. BV Gtd. Fltg. Rate Notes 1989 $447.96875
Lex Service Grp. 6½pc Pf. 2.275pc
Do. Ln. 4¼pc
Manchester 3pc Red. Cons. 1928 1½pc
Do. 4pc Cons. Irrd. 2pc
Metropolitan Water Board Kent WW 3pc Db. 1½pc
Montgomerie Ln. £%1.63014
Northern Securities Tst. 1p
RIT 3.5p

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan 3-7	Giftware Show (0272 848598)	Truro
Jan 7-17	International Boat Show 1982 (02403 3077)	Earls Court
Jan 9-14	*International Toy Fair (01-226 8653)*	Harrogate
Jan 10-13	Stationery Industry Exhibition—STATINDEX (01-637 7692)	Grosvenor House, W1
Jan 19-22	Which Computer? Show (01-747 3131)	NEC, Birmingham
Jan 20-27	International Hotel and Catering Exhibition—HOTELYMPIA (021-705 6707)	Olympia
Jan 23-30	Ideal Homes, Food, Trades and Leisure Exhibition (0243 687381)	Winter Gardens, Eastbourne
Jan 24-27	Leathergoods, Luggage and Handbag Fair (01-407 1582)	Kensington Exhibition Centre
Jan 30-Feb 3	*British Toy and Hobby Fair (01-701 7127)*	Earls Court
Feb 1-4	Photography at Work Exhibition (01-688 7788)	Exhibition Centre, Harrogate
Feb 7-11	International Spring Fair—Gifts (01-855 9201)	NEC, Birmingham
Feb 9-12	Information, Technology and Management Exhibition and Conference—INFO '82 (01-647 1001)	Barbican Exhibition Centre
Feb 10-12	Western Building Show (01-643 8040)	Exhibition Centre, Bristol
Feb 10-12	Ceramic Tile Exhibition and Conference—TILEX (01-450 0466)	Wembley Conference Centre
Feb 12-14	Crufts Dog Show (01-493 7838)	Earls Court
Feb 14-17	International Men's and Boy's Wear Exhibition (021 705 6707)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan 8-14	International Showmen's Fair—SCHAUSTELLER (01-409 0956)	Dusseldorf
Jan 11-14	Middle East Food and Equipment Show—MEFEX (01-486 1951)	Bahrain
Jan 14-25	Boat Show (01-439 3964)	Paris
Jan 19-22	Europipe '82—Construction and Maintenance of *Pipelines Exhibition and Conference* (0727 63213)	Basle
Jan 22-31	International Commercial Motor Show (02298 11 11)	Geneva
Jan 24-28	Middle East Construction Exbn. and Conference (01-935 8200)	Dubai
Jan 25-31	Do-it-yourself exhibition—KARWEI (01-486 1951)	Utrecht
Jan 29-31	International Boat Show (01-486 1951)	Malmo
Feb 5-14	International Boat Show (01-486 1951)	Helsinki
Feb 9-18	Equipment and apparatus for drug production and testing exhibition (01-235 2423)	Moscow
Feb 10-13	International Trade Fair for Household Appliances, Fittings and components—DOMOTECHNICA (01-409 0956)	Cologne
Feb 13-16	International Trade Fair for Watches, Jewellery and Silverware—INHORGENTA (01-486 1951)	Munich
Feb 15-18	Middle East Machine Maintenance, Light Engineering and Handling Show—MEM (01-486 1951)	Bahrain

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	*Abdullah H. Tariki: Saudi Arabia—the management challenge* (until Dec 23) (Brussels 322 538 9114)	Taif
Jan 11-12	Institute of Personnel Management: The Secretary in Personnel Management (01-946 9100)	Whites Hotel, W2
Jan 11-13	The University of Leeds: Textile design in the eighties conference (0532 35036)	Leeds
Jan 19-21	Crown Eagle Communications: UK Government Contracts (01-636 0617)	Churchill Hotel, W1
Jan 20-21	FT Conference: World Coal Markets (01-621 1355)	Inter. Continental Hotel, W1
Jan 25-29	London Business School: Management within the law (01-262 5050)	Regents Park, NW1
Jan 25-29	Manchester Business School: The Micro-chip Society—planning for the future (061-832 7972)	Selsdon Park
Jan 27-29	ESOMAR/EFMA: How research can help financial organisations communicate internally and externally (01-251 4549)	Rome
Jan 27-28	Meridian Conferences: Capitalise on Communications (01-670 5400)	Bowater Conference Centre, Knightsbridge
Jan 28	Dun *and Bradstreet: More Effective Collection* Techniques for Credit Controllers and Supervisors (01-247 4377)	Café Royal, W1
Jan 28	Marketing Society: Media—The Inside Track (01-543 5191)	Piccadilly, W1
Feb 1-2	Metal Bulletin Congresses: Middle East Metals and Minerals (01-633 0525)	Dubai
Feb 1-2	The Institution of Mining and Metallurgy World Oil Mining Symposium (01-580 3802)	Mount Royal Hotel, W1
Feb 2	Oyez: Company Finance for the Executive Secretary (01-242 2481)	Portman Hotel, W1
Feb 3-4	FT Conference: The Seventh Pensions Conference (01-621 1355)	Grosvenor House, W1
Feb 4	IPS: Energy (0990 23711)	Tower Hotel, E1
Feb 9-12	Offshore South East Asia Conference (01-546 5144)	Singapore
Feb 10-11	Spearhead Exhibitions: UK Offshore Safety Conference (01-549 5831)	Eastbourne
Feb 15-17	AMR International: Management Skills and Techniques for Women in Business (01-262 2732)	Kensington Hilton Hotel
Feb 16-17	Crown Eagle Communications: Gaining Value from Overhead Costs (01-636 0617)	Hilton Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

NORWAY

ITALY

SWEDEN

SWITZERLAND

GERMANY

AUSTRALIA

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.80
(Discount of 22%)

BRAZIL

1981 High	Low	Dec. 18	Price Cruz
1.90	0.76	Acesita	1.32
11.85	3.05	Banco Brasil	7.70
1.57	1.40	Banco Itau	1.55
4.89	1.80	Belgo. Min.	3.00
6.99	2.80	Lojas Amer.	6.05
9.90	2.12	Petrobras PP	5.55
1.90	1.05	Pirelli OP	1.90
9.95	2.05	Souza Cruz	5.50
7.50	4.80	Unip PE	4.80
15.45	4.50	Vale Rio Doce	7.55

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

Indices

NEW YORK —DOW JONES

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 11	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦Industr'ls	875.76	870.55	868.72	875.85	871.46	888.51	1024.05 (27/4)	824.01 (25/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	58.11	58.02	58.22	58.25	58.22	58.88	65.78 (15/1)	54.99 (1/10)	—	—
Transport.	390.55	388.22	384.84	384.22	385.74	391.17	447.38 (16/4)	335.48 (25/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	110.07	108.95	108.99	110.00	110.65	111.98	117.81 (6/1)	101.28 (28/9)	165.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	50,840	47,250	42,570	44,150	44,740	45,850	—	—	—	—

♦Day's high 880.71. low 867.39.

	Dec. 11	Dec. 4	Nov. 27	Year ago (approx)
Ind. div. yield %	6.26	6.21	6.25	5.95

STANDARD AND POORS

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 11	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	139.67	137.71	136.88	137.45	137.18	138.61	157.02 (6/1)	128.48 (24/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	124.00	123.12	122.42	122.99	122.78	124.93	138.12 (6/1)	115.01 (24/9)	140.52 (28/11/80)	4.402 (1/6/32)

	Dec. 16	Dec. 9	Dec. 2	Year ago (approx)
Ind. div. yield %	5.33	5.16	5.20	4.46
Ind. P/E Ratio	8.24	8.45	8.38	9.39
Long Gov. Bond yield	13.04	13.19	12.84	12.57

N.Y. S.E. ALL COMMON

Dec. 18	Dec. 17	Dec. 16	Dec. 15	1981 High	1981 Low
71.67	71.37	71.06	71.35	79.14 (6/1)	64.96 (25/9)

Rises and Falls

	Dec. 18	Dec. 17	Dec. 16
Issues Traded	1,960	1,938	1,926
Rises	955	793	584
Falls	560	723	882
Unchanged	445	492	460
New Highs	—	16	25
New Lows	—	26	29

MONTREAL

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	1981 High	1981 Low
Industrials	333.15	332.51	332.65	332.51	409.58 (27/5)	310.21 (25/9)
Combined	319.66	318.51	318.12	315.95	375.28 (15/6)	295.87 (25/9)
TORONTO Composite	1,947.6	1,941.4	1934.7	1955.4	2578.8 (18/4)	1812.48 (25/9)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	1,329,000	56¾	+1
Texaco	880,800	34	−⅛
Exxon	709,200	30½	+⅛
Houston Ind.	619,400	17⅞	—
Xerox	563,700	40½	+1½
General Motors	529,800	37½	+⅛
Ohio Edison	474,700	12⅞	+⅛
Fluor	450,900	31⅞	+1⅛
Williams Cp.	433,313	29¾	−⅜
Grumman	404,600	29⅝	+3⅝

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	1981 High	1981 Low
AUSTRALIA All Ord. (1/1/80)	594.8	588.5	594.0	594.4	737.5 (6/4)	545.8 (28/10)
Metal & Minrls (1/1/80)	454.7	455.8	452.8	452.4	755.2 (7/1)	404.5 (20/11)
AUSTRIA Credit Aktien (2/1/62)	56.50	55.99	55.77	55.57	56.45 (5/1)	53.54 (15/10)
BELGIUM Belgian SE (31/12/63)	87.28	84.59	85.88	80.16	98.15 (17/2)	89.55 (16/8)
DENMARK Copenhagen SE (1/1/73)	121.58	123.59	122.98	122.03	123.58 (17/12)	95.28 (2/1)
FRANCE CAG General (29/12/61)	91.70	91.1	91.4	90.9	112.5 (17/3)	77.3 (15/9)
Ind Tendance (31/12/80)	89.30	88.5	88.8	88.1	109.5 (10/3)	78.2 (12/8)
GERMANY FAZ-Aktien (31/12/58)	219.66	222.16	225.21	226.58	245.47 (5/7)	215.88 (9/2)
Commerzbank(Dec1953)	678.40	678.2	687.8	688.1	749.0 (5/7)	666.4 (18/2)
HOLLAND ANP-CBS General (1970)	84.0	84.1	85.0	85.5	98.3 (28/8)	78.5 (28/9)
ANP-CBS Indust (1970)	61.6	61.7	62.1	62.2	48.4 (22/6)	61.5 (30/10)
HONG KONG Hang Seng Bank(31/7/64)	1554.75	1542.98	1578.15	1581.18	1810.29 (17/7)	1113.77 (5/10)
ITALY Banca Comm Ital (1972)	192.81	195.06	187.49	188.30	232.05 (5/6)	165.44 (24/7)
JAPAN** Dow Average (16/5/49)	7659.93	7662.58	7674.85	7680.88	8019.14 (17/8)	6956.52 (15/6)
Tokyo New SE (4/1/68)	565.79	565.78	564.27	565.86	603.92 (17/8)	495.79 (5/1)
NORWAY Oslo SE (1/1/72)	125.81	124.91	127.60	128.25	145.72 (6/8)	110.34 (5/6)
SINGAPORE Straits Times (1966)	761.56	752.09	753.98	767.81	973.26 (25/6)	616.25 (1/9)
SOUTH AFRICA Gold (1958)	898.1	815.1	(c)	(u)	797.5 (7/1)	475.6 (5/7)
Industrial (1958)	701.5	700.8	(c)	(u)	709.4 (21/10)	557.2 (5/2)
SPAIN Madrid SE (30/12/80)	122.19	121.82	122.95	125.64	146.15 (8/6)	100.46 (2/1)
SWEDEN Jacobson & P. (1/1/58)	814.70	811.13	805.51	814.76	880.51 (19/8)	404.17 (28/1)
Switzerland SwissBankOpn.(31/12/58)	258.4	257.8	258.1	261.9	304.2 (2/4)	242.8 (17/11)
WORLD Capital Intl. (1/1/70)	—	146.3	145.9	145.9	162.8 (6/1)	133.8 (28/9)

(**) Sat Dec 12: Japan Dow 7,691.40. TSE 564.99.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Round world yacht put up for sale

THE YACHT British Steel which Chay Blyth sailed around the world in 1970, is for sale at about £100,000.

The 60 ft ketch was wrecked on a reef off the Canaries in 1976 and written off, but last year she was salvaged by enterprising businessman Chris Rogers and ex-Royal Marines Captain Hugh Wiltshire.

They dragged the vessel along a special track across the Island of Fuerteventura, patched her up and sailed her back to Britain, where she had a complete re-fit.

"She was refitted in Poole and is an absolutely new boat now," said Malcolm Adams of Brockers Berthon International.

CURRENCIES, MONEY and GOLD

Belgium's ups and downs

BY COLIN MILLHAM

Europe's most volatile currency was the Belgian franc last week. Earlier this year Bankers Trust Company, one of the leading U.S. banks, suggested in a currency review that "for many years Belgium's political leaders focused on social issues associated with devolution and ignored the economy."

Against this background the Belgian franc has been regularly devalued against the D-mark when both currencies were part of the European currency snake and also during the time of the present European Currency System.

An uncompetitive trade position producing sluggish economic growth, high unemployment, and large budget deficits, have severely depressed the currency, while Belgium has also suffered a political vacuum for several weeks following the last election.

News at the beginning of last week that Mr Wilfied Martens was to form a coalition Government became a major factor helping the franc, and this was followed by an announcement that the Belgian National Bank was to make conditions very difficult for speculators. Overdraft rates on foreign bank accounts were raised to very high levels and the franc rose very sharply against its partners in the European Monetary System on Tuesday. In a dramatic turnround the franc moved to the top of the EMS after being the weakest member, recently falling outside its divergence limit, where the authorities were obliged to give support to the currency.

The extreme nervousness of the situation was illustrated by the wide rates quoted on forward francs and the very high level of Eurofranc interest rates.

A rise of 2 per cent to 15 per cent in the central bank discount rate gave some assistance to the franc, coupled with further support from the authorities in the foreign exchange market, which has been at the highest level since the realignment of the EMS in October.

A strong attack on speculators and an improvement in Belgium's political position pushed the franc from the lowest position in the EMS, where it required constant support, to the top of the system. But this was shortlived, and the franc weakened steadily from Wednesday onwards. It was the weakest currency again by Friday, but still within its lowest permitted divergence limit.

It is obvious that the franc remains very vulnerable, and is likely to come under further pressure unless there is an improvement in the economic fundamentals influencing the currency.

THE POUND SPOT AND FORWARD

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8670-1.8880	1.8790-1.8810	0.38-0.28c pm	2.11	0.88-0.78 pm	1.76
Canada	2.2230-2.2440	2.2320-2.2340	0.10-0.20c dis	−0.81	0.40-0.60dis	−0.89
Nethlnd.	4.67-4.73	4.68¾-4.69¾	1⅞-1⅛c pm	4.15	4¼-3¾ pm	3.41
Belgium	72.25-73.40	72.50-72.70	180-230c dis	−33.88	190-240dis	−11.84
Denmark	13.90-13.98	13.92-13.94	2¼-1¾ore pm	1.94	5½-4 pm	1.36
Ireland	1.2000-1.2120	1.2045-1.2065	0.23-0.33p dis	−2.79	0.83-1.02dis	−3.07
W. Ger.	4.28-4.32	4.29¼-4.30¼	1½-1¼pf pm	4.19	4⅞-4⅛ pm	4.31
Portugal	122.50-124.00	123.25-123.55	20-185c dis	−9.97	75-480 dis	−7.70
Spain	183.50-184.50	184.15-184.35	par-30c dis	−0.98	80-95 dis	−1.90
Italy	2,281-2,300	2,294-2,296	11-14 lire dis	−6.53	41-45 dis	−7.49
Norway	10.94-11.05	10.97-10.99	1¾ore pm-¼ dis	0.27	1½ pm-par	0.32
France	10.84-10.94	10.86-10.87	¾-1¾c dis	−1.24	5-6 dis	−2.02
Sweden	10.48-10.56	10.51½-10.52½	2-2¾ore pm	2.39	8⅞-8 pm	2.21
Japan	409-417	410½-411½	3.15-2.90y pm	8.83	8.60-8.30 pm	8.22
Austria	30.00-30.27	30.10-30.15	17-12gro pm	5.77	43-33 pm	5.04
Switz.	3.41-3.45	3.42½-3.43½	1⅞-1⅛c pm	4.37	4⅞-4⅛ pm	5.29

Six-month forward dollar 0.96-0.89c pm. 12-month 1.16-0.96c pm.
Sterling/ECU rate for December 18 .... 0.569506.

THE DOLLAR SPOT AND FORWARD

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8670-1.8880	1.8790-1.8810	0.38-0.28c pm	2.11	0.88-0.78 pm	1.76
Ireland†	1.5520-1.5590	1.5550-1.5590	0.70-0.60c pm	5.01	2.00-1.80 pm	4.88
Canada	1.1883-1.1901	1.1889-1.1892	0.29-0.32c dis	−3.03	0.82-0.86dis	−2.82
Nethlnd.	2.4975-2.5080	2.4975-2.5025	0.50-0.40c pm	2.16	1.50-1.40 pm	2.32
Belgium	38.54-38.88	38.64-38.68	80-130c dis	−32.58	120-170dis	−14.99
Denmark	7.4300-7.4450	7.4300-7.4400	par-¾ore dis	−0.20	¾-1 dis	−0.40
W. Ger.	2.2850-2.2980	2.2865-2.2875	0.40-0.30pf pm	1.84	1.55-1.45 pm	2.62
Portugal	65.60-65.90	65.60-65.90	30-110c dis	−12.77	70-240 dis	−9.43
Spain	98.00-98.25	98.05-98.15	20-30c dis	−3.06	55-75 dis	−2.65
Italy	1,220-1,222	1,221-1,222	8½-9½ lire dis	−8.84	25-31 dis	−9.39
Norway	5.8300-5.8540	5.8400-5.8500	¾-1¾ore dis	−1.80	1½-2 dis	−1.11
France	5.7800-5.8150	5.7800-5.7850	1.40-1.60c dis	−3.10	5.40-5.90dis	−3.90
Sweden	5.5900-5.6120	5.5900-5.6000	0.45-0.30ore pm	0.80	1.90-1.75 pm	1.30
Japan	218.60-220.00	218.55-218.65	1.25-1.10y pm	6.45	3.60-3.45 pm	6.45
Austria	16.04¾-16.10	16.06-16.07	5¼-4¾gro pm	3.73	15½-11½ pm	3.36
Switz.	1.8230-1.8350	1.8240-1.8250	0.50-0.42c pm	3.02	1.65-1.57 pm	3.53

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Dec. 18		Dec. 17	
Gold Bullion (fine ounce)				
Close	$416¼-417¼	(£222-222½)	$416-417	(£220½-221)
Opening	$416½-417½	(£221-222½)	$418-419	(£221-221½)
Morning fixing	$415.25	(£220.760)	$418	(£220.464)
Afternoon fixing	$415.75	(£221.793)	$416.35	(£220.295)
Gold Coins				
Krugerrand	$430¼-431¼	(£229-229½)	$429¼-430¼	(£227¾-228¼)
½ Krugerrand	$221½-222½	(£118-118½)	$221-222	(£117¼-117¾)
¼ Krugerrand	$112-114	(£60¼-60¾)	$112½-113½	(£59¾-60¼)
1/10 Krugerrand	$46-47	(£24½-25)	$46-47	(£24½-25)
Mapleleaf	$431¼-432¼	(£229¼-230)	$430-431	(£228-228½)
New Sovereigns	$102½-103¼	(£54½-55)	$102¼-103¼	(£54¼-54¾)
King Sovereigns	$117-118	(£62¼-63)	$115-116	(£61-61½)
Victoria Sovs.	$117-118	(£62¼-63)	$115-116	(£61-61½)
French 20s	$101-111	(£53¾-59)	$101-111	(£53¾-58¾)
50 pesos Mexico	$516-519	(£274¼-276¼)	$515-518	(£273¼-274¾)
100 Cor. Austria	$404-408	(£215-217¼)	$404-408	(£214¼-216½)
20 Eagles	$510-515	(£271¼-274¼)	$510-515	(£270¼-273¼)

OTHER CURRENCIES

Dec. 18	£	$		Note Rates
Argentina Peso	13,295-13,316†	7105-7125†	Austria	30.00-30.30
Australia Dollar	1.6876-1.6890	0.8985-0.8990	Belgium	81.25-82.25
Brazil Cruzeiro	233.47-234.47	124.80-125.42	Denmark	13.90-14.02
Finland Markka	8.242-8.262	4.4010-4.4050	France	10.86-10.96
Greek Drachma	106.875-110.14	57.55-57.75	Germany	4.29-4.33
Hong Kong Dollar	10.60-10.63½	5.66-5.67	Italy	2270-2300
Iran Rial	149.00*	79.45*	Japan	414-419
KuwaitDinar(KD)	0.526-0.532	0.2813-0.2817	Netherlands	4.69¾-4.73¾
Luxembourg Fr.	72.50-72.70	38.64-38.66	Norway	10.91-11.01
Malaysia Dollar	4.2175-4.2278	2.2510-2.2540	Portugal	123-130
New Zealand Dlr.	2.2766-2.2803	1.2135-1.2145	Spain	183¼-191¼
Saudi Arab. Riyal	6.39-6.45	3.4170-3.4200	Sweden	10.50-10.60
Singapore Dollar	3.8560-3.8650	2.0575-2.0605	Switzerland	3.42½-3.46½
Sth. African Rand	1.8215-1.8238	0.9690-0.9700	United States	1.86½-1.88½
U.A.E. Dirham	6.87-6.93	3.6710-3.6740	Yugoslavia	86-93

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 20,606-20,626 and for the dollar 11,000-11,050. *Selling rate.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¾-15	12-12¼	13-14	10 11/16-10⅞	⅛-1	10⅜-10⅝	15-15½	17-19	21⅛-49½	6-6⅛
7 days' notice	15-15¼	12¼-12½	13-14	10 11/16-10⅞	2-2½	10⅛-10⅝	15-15⅛	19-22	39-59¼	6⅝-6¾
Month	15 1/16-15 3/16	13⅛-13⅜	15¾-16⅛	10 15/16-11 1/16	10 1/16-10 3/16	11 1/16-11 3/16	15⅝-16⅛	21½-23⅛	37¼-46¾	6 15/16-7 1/16
Three months	15⅝-15¾	13⅜-13⅝	16⅛-16⅜	10 15/16-11 1/16	9⅞-10	10 15/16-11 1/16	17⅛-17⅝	23¼-24¼	24¾-29¼	6 15/16-7 1/16
Six months	15¾-15⅞	14⅜-14⅝	16½-16⅞	11-11⅛	9⅞-10	10¾-10⅞	18¼-18¾	23¾-24¾	23-26	7⅛-7¼
One Year	15¼-15½	14⅜-14⅝	16½-16⅞	11-11⅛	8 15/16-9 1/16	10¼-10⅜	18½-19	23¾-24¾	19¼-22¼	7-7⅛

SDR linked deposits: one month 12 5/16-12 11/16 per cent; three months 12⅞-13 per cent; six months 13 5/16-13 9/16 per cent; one year 13¼-13½ per cent.
ECU linked deposits: one month 15 5/16-15 11/16 per cent; three months 14 13/16-15 3/16 per cent; six months 14⅞-15⅛ per cent; one year 14¾-15⅛ per cent.
Asian $ (closing rates in Singapore): one month 13 5/16-13 7/16 per cent; three months 13½-13⅝ per cent; six months 14½-14⅝ per cent; one year 14⅜-14½ per cent. Long-term Eurodollar two years 15-15¼ per cent; three years 15⅛-15⅜ per cent; four years 15⅜-15⅝ per cent; five years 15½-15¾ per cent nominal closing rates.
The following nominal rates were quoted for London dollar certificates of deposit: one month 12.90-13.00 per cent; three months 13.25-13.35 per cent; six months 13.85-13.95 per cent; one year 14.10-14.30 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 18)

3 months U.S. dollars		6 months U.S. dollars	
bid 13 11/16	offer 13 15/16	bid 14 11/16	offer 14 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 18 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	14⅛-17	14¾-15¼	—	—	15¼-16	13⅛-14⅛	—	—	—
2 days notice	—	—	15⅛-15⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅞-15¼	15⅛-15⅜	—	—	15⅜-15¼	14-14½	—	—	—
One month	15 1/16-15⅛	15 1/16-15 3/16	15⅜	16-15⅝	15 1/16	15¾-15½	14⅛	14 13/16-14¼	14⅝	15⅝
Two months	15 1/16-15¼	15⅜-15⅝	—	16-15⅝	15½	15⅞	14½	14¾-14 1/16	14 13/16-14 15/16	15½
Three months	15½-15⅜	15 7/16-15½	15¾	16-15⅝	15¾	16	14⅜-14½	14⅝	14⅝-14 11/16	15½
Six months	15½-15⅜	15 7/16-15 9/16	15⅝	15⅛-14⅞	15¾	—	—	—	14 15/16-14⅛	15
Nine months	15⅜-15¼	15⅛-15⅜	—	15⅝-15⅜	15½	—	—	—	—	—
One year	15 7/16-15 9/16	15-15¼	15⅜	15½-15⅛	15⅜	—	—	—	—	—
Two years	—	—	15⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15¼ per cent; four years 15¾ per cent; five years 15¼ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14 11/16 per cent; four months trade bills 15 5/16 per cent.

Approximate selling rate for one month Treasury bills 14 5/16 per cent; two months 14 5/16 per cent; three months 14½ per cent. Approximate selling rate for one month bank bills 14 11/32-14½ per cent; two months 14 11/32-14 9/16 per cent; and three months 14 17/32-14 9/16 per cent; one month trade bills 15⅜ per cent; two months 15½ per cent; three months 15¼ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from December 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 12¼-12½ per cent. Clearing Bank Rates for lending 14½ per cent. Treasury Bills: Average tender rates of discount 14.6160.

CURRENCY RATES

Dec. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.617028	0.569506
U.S. $	12	1.15631	1.06839
Canadian $	15.15	1.37370	1.27075
Austria Sch.	6¾	18.5807	17.1477
Belgian F.	15	44.8359	41.4216
Danish Kr.	11	8.59427	7.94083
D mark	7½	2.65142	2.44715
Guilder	9	2.89656	2.67526
French Fr.	9½	6.71469	6.19241
Lira	19	Unavail.	1305.31
Yen	5½	253.694	234.405
Norwgn. Kr.	9	6.76730	6.25407
Spanish Pts.	8	113.436	104.831
Swedish Kr.	11	6.48285	5.98193
Swiss Fr.	6	2.11663	1.95356
Greek Dr'ch.	20½	—	61.9401

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
§80	F.P.	8/1	84	80	✱A & G Sec. Elecs.5p	83	+2	b2.75	2.3	3.0	20.7
—	F.P.	4/12	850	775	✱Asprey	800	−25	35.0	3.3	6.2	5.8
§35	F.P.	—	35	32	✱City Site	33	......	b0.5	1.2	2.2	54.8
225	F.P.	6/2	240	255	Comp.&Systs.Eng 20p	230	−5	b3.15	3.8	1.9	14.9
82	F.P.	22/1	86	83	Cussins Prop.	84	+1	b4.9	2.6	8.3	6.2
80	F.P.	13/1	84	81	✱Equipu	83	......	bd3.1	2.1	5.3	12.8
—	F.P.	—	10	9	F & C Enter. Warrants	10	......	—	—	—	—
61	F.P.	22/1	63	62	✱Good Relations Grp	62	......	b2.6	2.0	6.8	12.3
§50	F.P.	9/12	50	39	✱Gr'nw'hCable&Cm.	39	......	—	—	—	—
100	F.P.	22/1	109	101	✱Hardanger Prop.	101	......	bd9.8	2.2	15.9	4.7
150	F.P.	4/1	165	157	✱Hayters	158	......	b10.5	1.8	9.5	7.3
100	F.P.	6/1	104	100	New Australia Inv.50p	103	......	—	—	—	—
US$5.80	F.P.	—	305	298	Newmarket (1981)	298	−2	—	—	—	—
US$4.25	F.P.	—	205	145	✱Nimslo Int. 20c	155	−5	—	—	—	—
§§	F.P.	—	9	4½	Peek Hldgs.	7½	−½	—	—	—	5.1
—	F.P.	—	14½	8	Sampang (Java) 2½p	14½	+2	—	—	—	—
—	50p	—	82	70	✱Saxon Oil	70	......	—	—	—	—
§67	F.P.	18/12	70	68	✱Sheldon Jones	69	......	u3.5	2.4	7.2	7.8
115	F.P.	—	120	118	Speyhawk	120	......	bd7.0	2.5	8.3	5.4
†	F.P.	31/12	33	31	✱Television South10p	33	......	—	—	—	—
—	F.P.	—	5	4½	Viners 1p	4½	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price	+ or −
97.48	£25	—	26½	23¼	Caisse Nat. Des Auto. 16% Gtd. Ln. 2006	24	—
100	F.P.	25/2	103	102	Essex Water 10% Red. Prf. 1986	102½	—
‖	Nil	—	7pm	5pm	Haslemere Est 9pc.Conv Uns Ln. 2001/06	5½pm	−½
¶¶	F.P.	—	153p	135p	McLeod Russel 8.4% Cnv. Red. Cum. Prf	147p	—
§100	F.P.	—	100½	99	Nat'wide Bdg.Society15⅝% Bds (24/11/82)	99	—
§100	F.P.	—	100	99¼	Do. 15½% Bds. (13/12/82)	99¼	—
69	F.P.	—	78	64	Pennine Comm.12pc.Conv.Uns.Ln.1991	70	—
70	F.P.	—	73	64	Do. 15½ pc. Uns. 1986	75	—
—	F.P.	—	135	118	Viners 10% Cnv. Loan 1988	118	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. m Interim since increased or resumed. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Issued as a unit comprising 33 Ordinary and £5 Loan 1986-88.

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
7½	Nil	31/12	29/1	1pm	¼pm	Abwood Mach.	¾pm	......
142	Nil	29/12	29/1	15½pm	13pm	Brown (M)	13pm	−1
2.5A$	Nil	—	—	92pm	60pm	C S R	82pm	......
162	Nil	23/12	21/1	21pm	15pm	Great Portland Estates	15pm	......
44	Nil	—	—	6pm	6pm	Lennons Grp	6pm	......
7½	F.P.	18/12	15/1	9½	7¾	Raglan Prop.	9	......
90	Nil	—	—	10pm	7pm	Rea Brothers	10pm	......
50	F.P.	17/12	21/1	52	50	Strong & Fisher	52	+2
05 cts	Nil	10/12	28/1	117pm	108pm	T N T	115pm	......

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14¼	½-year	1,000	4-8

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund ... £14.11 14.12 — —

Save & Prosper International
Dealing to:
P.O. Box 73, St. Helier, Jersey 0534 73933
Fixed Interest Funds

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941.

American Growth	65.2	70.2	+1.0	2.06
Capital	[illegible]	41.4	+0.1	4.11
(Accum. Units)	47.6	53.6	+0.2	4.11
General	[illegible]	63.8	+0.1	4.81
Gilt & Fixed Int.	[illegible]	99.3xd	-0.5	13.19
Income	[illegible]	[illegible]		[illegible]
Worldwide Bond	107.1	113.5	+0.6	5.91
Inv. Tst. Fd.	50.9	55.0	+0.1	4.36
Equitas Prog.	[illegible]	[illegible]	+0.2	4.55

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	81.8	86.9	----	13.99

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds

Allied 1st	89.9	96.2	----	5.60
Brit. Inds. Fund	75.8	81.1xd	----	6.58
Growth & Income	56.7	60.9	+0.2	4.11
Elect. & Ind. Dev.	[illegible]	49.9	+0.1	4.81
Allied Capital	97.5	104.5	+0.1	4.78
Hambro Fund	133.6	143.0xd	+0.4	5.87
Hambro Acc. Fund	196.4	210.1	-0.1	4.76

Income Funds

High Yield Fd.	64.9	69.4	+0.6	9.16
High Income	[illegible]	87.4	+0.1	7.32
Equity Income Fd.	47.4	50.7	+0.3	7.28
Govt. Secs.	22.2	22.8xd	-0.2	13.95

International Funds

International	36.8	39.4	+0.2	2.34
Japan Fund	30.0	32.1xd	+0.1	0.51
Pacific Fund	73.4	78.5xd	----	1.03
Secs. Of America	85.6	91.6xd	+0.6	2.62

Specialist Funds

Smaller Co.'s Fd.	56.9	60.9	+0.1	3.86
2nd Smlr. Co's Fd.	70.6	75.5	+0.5	3.97
Recovery	27.7	29.6	----	4.76
Met. Min. & C'dty.	64.8	69.3	+0.1	5.77
Overseas Earnings	77.6	83.0xd	----	4.94

Exempt Funds

Income Exempt	50.1	53.7xd	-1.6	9.03

[illegible]

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632

American (z)	28.0	30.4	+0.2	1.62
Australian (z)	23.7	25.9	----	0.97
Far Eastern Tst. (z)	42.5	46.1	+0.2	1.23
High Income	32.7	35.9	+0.1	12.26
Intl. Trust (z)	50.0	54.9	+0.1	1.40
Basic Resources Tst.	48.4	52.6	+0.1	2.74
Incm. Growth Tst.	24.0	26.1	-0.1	8.55
Pref. & Gilt Tst.	18.6	20.2	-0.1	15.76
Smaller Co's Trust	27.6	30.0xd	-0.1	3.62

Choularton Fund Managers (g)
57-63, Princess St., Manchester. 061-236 5685

Growth	35.9	37.1	----	3.78
International	64.8	70.1	+0.5	1.15
High Income	27.8	30.1	+0.2	11.78

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	73.7	77.5	----	3.72

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	34.3	37.4	-0.3	12.22
North American	61.6	64.5	+0.5	2.57
Canadian Exempt*	65.2	69.1xd	----	3.06
Canadian Trust	55.0	59.4	+1.0	3.03
Mid Mount High Inc.*	43.6	46.1	----	10.39
Recovery	51.8	56.6	-0.1	3.87
Gilt Trust	37.4	39.1xd	-0.2	14.71

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	43.2	46.6xd	+0.4	0.53
Cres. Internat'l.	90.5	97.7	+0.3	1.54
Cres. High Dist.	42.7	46.1xd	+0.4	9.49
Cres. Reserves	50.8	54.8	+0.1	5.47
Cres. Tokyo	41.7	45.0	+0.3	0.28

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.1	24.5	----	8.98

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. Dec. 4	240.4	256.4xd	----	5.21

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.7	22.0	----	7.92
Gt. Winchester O'seas	31.7	35.2	----	3.55

Equity & Law Un. Tr. M. (a) (b) (c)

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15Aug	15F	Treasury 3pc '82‡‡	98⅞	9.7	3.05	14.57
16S	16Mar	Treasury 14pc '82‡‡	99⅛	10.8	14.04	14.96
15D	15Jun	Treas. Variable '82§§	99⅛	9.11	15.13	15.63
5Ja	5Jul	Treasury 8¼pc '82	96½xd	1.12	8.55	15.42
22Mar	22S	Exch. 9¼pc 1982	95⅝	17.8	9.67	15.47
5Jul	5Ja	Exch. 8¾pc 1983	94½xd	1.12	9.28	14.96
21Aug	21F	Exch. 3pc 1983	90⅜	15.7	3.32	12.00
17S	17Mar	Treasury 12pc 1983‡‡	96⅛	11.8	12.48	15.49
24N	24May	Treas. Variable '83 §§	99½	19.10	15.16	15.43
18Ja	18Jul	Treasury 9½pc '83	92⅞xd	14.12	9.96	14.55
22May	22N	Exch. 13½pc '83	97	16.10	13.92	15.33
12Jun	12D	Exch. 10pc 1983	92	5.11	10.87	14.81
15Jul	15Ja	Funding 5½pc '82-84‡‡	86¼xd	9.12	6.34	13.03
20Aug	20F	Exch. 11¼pc 1984	92	14.7	12.23	15.65

Five to Fifteen Years

Over Fifteen Years

Undated

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Ap.	10ct	Conv. 3½pc '61 Aft.	31⅝	25.8	11.35	—
5Ap	50ct	Treasury 3pc 66 Aft.	21⅛	1.9	14.64	—
5Ja.A.J.O.		Consols 2½pc	17⅞xd	1.12	13.91	—
1Ap	10ct	Treasury 2½pc	17¼	25.8	14.54	—

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
—		Finland 14½pc Ln 1986	92¼	20.10	15.63	16.91
15F	15A	Int. Bank 5pc '77/82	93¼	16.7	5.36	15.98
—		Do. 13½pc Ln 1986	90¾	—	14.87	16.55
—		Mex 16½pc 2008	98	—	17.24	17.61
15M	15S	Sweden 13½pc 1986	90¾	—	14.87	16.59

CORPORATION LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
30A	310	Bath 11¼pc 1985	85¼	30.9	13.18	16.51
1J	1D	Birm'ham 12½pc 1985	89¼	3.11	13.99	16.68
1J	1D	Burnley 13pc 1987	88	30.10	14.86	16.55
24A	240	Cardiff 11pc 1986	82	24.9	13.41	16.49
Apr.	Oct.	G.L.C. 12½pc '82	98⅝	14.9	12.67	15.84
10F	10A	Do. 12½pc 1983	95	12.7	13.15	16.01
15M	11N	Glasgow 9¼pc '80-82	94⅝	19.10	9.77	15.80
1F	1A	Herts 6¾pc 1985-87	70¾	2.7	9.68	15.35
—		Leeds 13½pc 2006	85	26.8	16.41	16.46
15M	15N	Liverpool 9½pc '80-84	87½	15.10	11.15	16.20
1Ja.A.J.O		Do. 3½pc Irred.	21½	1.9	16.47	—
15M	15N	Lon. Corp. 13¼pc '83	95¼	15.10	13.84	15.89
1A	10	Do. 9¼pc '84-85	83¼	1.9	11.11	15.19
15J	15J	LCC 5½pc '82-84	79¼	15.6	6.93	15.51
11J	11D	Do. 5½pc '85-87	64¾	11.11	8.49	15.19
10Ja	10J	Do 6¾pc '88-90	57xd	10.12	11.68	16.05
1M.J.S.D		Do. 3pc '20 Aft.	19¼	2.11	15.98	—
15J	15D	Sunderland 12¼pc 1984	91	13.11	13.46	16.10

COMMONWEALTH AND AFRICAN LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1A	10	Aust. 5½pc '81-82	98⅝	20.8	5.65	15.33
1J	1D	Do. 6pc 1981-83	85⅛	30.10	7.06	15.10
1Ja	1J	N.Z. 7¼pc 1988-92	57xd	1.12	12.64	15.64
15J	15D	Do. 7½pc '83-86	74	16.11	10.13	15.77
1A	10	S. Rhod. 2½pc Non-Ass.	137	7/80	—	—
—		Do. 3½pc 80-85 Assd	57	10.8	6.23	21.00
—		Do. 4½pc 87-92 Assd	34	7.7	13.86	20.60
—		Zimbabwe Ann (£100pd)	336	—	—	24.88

LOANS

Public Board and Ind.

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Ja	1J	Agric. Mt. 5pc '59-89	59xd	1.12	8.44	13.89
1M	1S	Met. Wtr. 3pc 'B'	25	3.8	12.40	14.74
30J	31D	U.S.M.C. 9pc 1982	105	30.6	8.57	—
30J	31D	Do. without Warnts.	96½	30.6	9.34	—

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
20J	200	FFI 14pc '83	96	20.5	14.58	16.41
31M	30S	FFI(UK Fn)5½pcDb. '80-2	94	28.8	5.85	15.00
31M	30N	Do. 6¼pcDb. '81-84	79½	30.11	7.92	15.53
11Ja	11J	Do. 10½pc Uns.Ln. '86	82½xd	7.12	12.72	16.60
11Ja	11J	Do. 11pc Uns.Ln. '88	78½xd	7.12	14.01	15.80
11Ja	11J	Do. 11¾pc Uns.Ln. '90	78½xd	11.1	14.97	16.70
14Mr.	14S	Do. 12½pc Un. Ln. 1992	83½	28.8	15.55	16.50
30J	31D	Do. 7¼pcADeb. '89-92	55	31.12	13.18	16.12
31M	30S	Do. 7¼pcADeb. '91-94	55	28.8	13.65	15.95
31M	30S	Do. 9pc 'A' '91-94	63½	28.8	14.72	16.33
28F	31A	Do. 8⅞pcLn. '92-97	61	24.7	15.31	16.49

Building Societies

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
—	N'wide 14¼pcBd11.8.82	98½	—	14.97	—
—	Do. 14¾pc Bds 25.8.82	98¾	—	14.94	—
—	Do. 15⅜pc Bds. 29.9.82	99	—	15.53	—
—	Do. 16¼pc Bds. 27.10.82	99¾	—	16.29	—

FOREIGN BONDS & RAILS

AMERICANS

Dividends Paid	Stock	Price	Last xd	Div. Gross	Cvr	Y'ld Gr's
Jn.Ap Jy.Oc	Lowes US$0.50	668p	—	48c	—	3.8
ApJuOJa	Manf. Han. US$7.50	18⅝	23.9	$2.92	—	8.3
FeMyAuN	Merrill Lynch $1	17⅝	20.10	$1.28	—	3.8
Ja.Ap.Jy.O.	Morgan (JP) US$2.5	29½xd	15.12	$3.40	—	6.1
N. F. My. Au.	Norton Simon Inc. $1	974p	30.10	$1.08	—	5.8
MJSD	Pennzoil	26¼	23.11	$2.20	—	4.4
Ja.Oc.J.A.	Quaker Oats US$5	19½xd	16.12	$1.80	—	4.9
March	Reliance $0.25	51⅝	10.11	♦$3.00	—	3.1
J.A.J.O.	Rep. N.Y. Corp. $5	19½xd	18.12	$1.20	—	3.2
F.MyAuN.	Rexnord $5	813p	9.11	$1.08	—	7.0
S. Dec. Nov.	Rockwell Intl. $1	17½	17.11	$1.56	—	4.7
Mr.Ju.S.D.	Saul (B. F.) $1	380p	28.9	20c	—	2.8
Mr.Je.S.D.	Shell Oil $1	24⅜	1.9	$1.80	—	3.9
Fb.My Ag.Dc	Simplicity Patt	580p	31.8	♦56c	—	5.1
Au.N.F.My.	Sperry Corp. $0.50	18⅝	5.10	$1.92	—	5.4
MJSD	Sun Co. Inc.	25	4.11	$2.10	—	4.4
Ma.Ju.Se.Dec.	TRW Inc. $1¼	28½	12.8	$2.40	—	4.4
Feb My Au Nov	Tenneco $5	17¼	16.11	$2.60	—	7.9
June Dec.	Do. 10% Ln. Stk. 91-95	116xd	23.11	10%	—	18.6
J. Ap. Jy. O.	Tesoro Pt. US$0.16⅔	10½	3.11	34c	—	1.7
Mr.Je.S.D.	Texaco $6.25	18¼	28.10	$3.00	—	8.6
Mr.Ju.S.D.	Time Inc. $1	20⅞	23.11	$1.00	—	2.5
Ja.Ap.Ju.O.	Transamerica $1	12½	23.11	$1.40	—	5.9
M J S D	Union Carbide $1	27	1.12	$3.40	—	6.6
MarJnSpDc	Utd. Tech. $US5	22½xd	17.11	$2.40	—	5.6
Mr.Je.S.D.	U.S. Steel $1	16⅛	30.10	$2.00	—	6.5
Mr.Je.S.D.	Woolworths $3½	987p	28.10	$1.80	—	9.6
O.Ja.Ap.Jy.	Zapata Corp. 25c	16⅞	12.10	37c	—	2.2

CANADIANS

Dividends Paid	Stock	Price	Last xd	Div. Gross	Cvr	Y'ld Gr's
Ma.S.J.D.	Bk. Montreal $2	10¼xd	6.11	$1.92	—	7.9
F.My.Au.N.	Bk. Nova Scot. $1	12	29.9	$1.76	—	6.5
A.Jy.O.Ja.	Bell Canada $8⅓	841pxd	16.12	$1.96	—	10.3
May Nov.	Bow Valley‖	908p	8.6	15c	—	0.7
Oct.	Brascan‖	11½	25.9	$1.80	—	6.9
F.MyAuN.	Can.Imp.Bk. $2	13½	29.9	$2.08	—	6.8
July Jan.	Can.Pacific $5	19⅛	24.6	$1.90	—	4.4
July Jan.	Do 4pc Deb £100	27½	19.11	4%	—	14.5
Ja Ap Jy Oc	Can. P. Ent.‖	852p	5.10	$1.12	—	5.8
J.Ap.Jy O.	Gulf Can.‖	858p	20.11	44c	—	2.2
Ap Jy.O.Ja.	Hawker Sid Can.‖	605p	17.9	9oc	—	7.0
F.MyAuN.	Hollinger $5	13½	26.1	s$2.20	—	7.2
Mr Jn Sp Dc	Hudson's Bay ‖	919p	31.10	$1.20	—	5.8
Jan. July	Hud.B.Oil G. $2½	22⅞	9.7	♦32c	—	0.6
Mr.Je S.D.	Imperial Oil‖	17⅜	26.8	$1.40	—	5.4
Jan.Ag.J.O.	Inco‖	745pxd	5.11	$US20c	—	1.4
F My.Au.N.	Inl. Nat. Gas $1	636p	30.10	$1.10	—	7.6
Mr.Je.S.D.	Massey Ferg.‖	94p	20.12	—	—	—

CANADIANS—Continued

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Contd.

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Acmex 50c	53	—	Q2.5c	—	2.9
—	ACM 20c	23	—	—	—	—
—	Argosy Gold NL 25c	8	—	—	—	—
—	Bond Corp.	162	—	Q10c	2.3	3.9
Nov. Apr.	Bougainville I Kina	75	7.3	tQ25 4c	1.0	‡
—	CRA 50c	175	16.3	Q19c	1.7	6.6
—	Canada Northwest	10½	—	—	—	—
—	Carr Boyd 20c	18	—	—	—	—
—	Central Pacific	58	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug. Feb.	Cons. Murch. 10c.	298	30.6	Q60c	♦	11.9
—	‡‡Explaura Gold	5	—	—	—	—
—	††Hemerdon 10c.	65	—	—	—	—
—	Highwood Res.	75	—	—	—	—
—	Northgate C$1	270	9/77	—	—	—
Jan. July	R.T.Z.	463	23.11	16.0	2.3	4.9
—	[illegible]	£300	18.5	Q9½%	—	19.9
—	††SPD Minerals 10p	22	—	—	—	—
—	Sabina Inds. C$1	19	—	—	—	—
—	✱Southwest C. 10p	30	—	—	—	—
—	Tara Explm. $1	505	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	......	IRISH		
Bertrams	16½	......	Conv. 9% '80/82	£93¾	......
Bdg'wtr. Est. 50p	405	......	Nat. 9¾% 84/89	£70¼	......
Craig & Rose £1	£3xd	......	Fin. 13% 97/02	£74⅝	......
Finlay Pkg. 5p	25½	......	Alliance Gas	77	......
Graig Ship. £1	£19	+1	Arnott	230	......
Higsons Brew.	75	......	Carroll (P.J.)	84	+3
Holt (Jos) 25p	520	......	Concrete Prods.	90	......
I.O.M. Stm. £1	150	......	Heiton (Hldgs.)	27	......
Pearce (C. H.)	810	......	Irish Ropes	36	......
Peel Hldgs.	116	......	Jacob	67	......
Sheff. Refrshmt.	83xd	......	T.M.G.	18	+1
Sindall (Wm.)	190	......	Unidare	56	......

OPTIONS

3-month Call Rates

Industrials		House of Fraser	13	Utd. Drapery	6½
Allied-Lyons	6½	I.C.I.	38	Vickers	15
BOC Intl.	11	"Imps"	5	Woolworths	4½
B.S.R.	7½	I.C.L.	5		
Babcock	9	Ladbroke	13	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	7
Beecham	17	Lex Service	9	Cap. Counties	10
Blue Circle	38	Lloyds Bank	28	Land Secs.	30
Boots	10	"Lots"	7½	MEPC	20
Bowaters	19	London Brick	6½	Peachey	15
Brit. Aerospace	17	Lucas Inds.	15	Samuel Props.	13
B.A.T.	28	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr.	10		
Burton Ord.	12	Midland Bank	25	**Oils**	
Cadburys	3	N.E.I.	7	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	30	Burmah Oil	11
Debenhams	7	P & O Dfd.	9	Charterhall	6
Distillers	16	Plessey	26	KCA	19
Dunlop	6½	Racal Elect.	34	Premier	7
Eagle Star	25	R.H.M.	7	Shell	28
F.N.F.C.	4	Rank Org. Ord.	14	Tricentrol	25
Gen. Accident	30	Reed Intl.	23	Ultramar	40
Gen. Electric	55	Sears	5		
Glaxo	32	Tesco	5	**Mines**	
Grand Met.	15	Thorn EMI	30	Charter Cons.	21
G.U.S. 'A'	35	Trust Houses	11	Cons. Gold	40
Guardian	30	Tube Invest.	12	Lonrho	7
G.K.N.	12	Turner & Newall	7¼	Rio T. Zinc	45
Hawker Sidd.	25	Unilever	50		

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Monday December 21 1981

British institutions invest $40m in small U.S. banks

BY WILLIAM HALL, BANKING CORRESPONDENT

UK INSTITUTIONS have taken significant stakes in the form of private placements ranging from 3 per cent to 13 per cent, in several small U.S. banks recently, in return for providing them with more than $40m (£21.3m) of new capital.

The banks, which include the Hawkeye Bancorp of Des Moines, Iowa, and Citizens Fidelity of Louisville, Kentucky, are generally unknown outside America and are a fraction the size of the big money centre banks in which UK institutions normally invest.

However, many UK and Continental investors see the purchase of significant stakes in small U.S. regional banks as one of the few ways of investing in particular growth states. In addition, the regulatory changes under way in the U.S. banking system could make the small regional banks prime takeover targets. Investors see this as an added reason to have above average exposure to small U.S. banks.

Bear Sterns International, the UK arm of the U.S. brokerage house, was the first to tap UK investors, raising $10.8m for Citizens Fidelity of Louisville, Kentucky, earlier this year. A few weeks ago it completed a $11.2m deal for First Oklahoma Bancorp, the largest bank in Oklahoma.

About 20 UK institutions, ranging from the Prudential to the Unilever pension funds, subscribed for 450,000 common stock at $45 apiece. Individual institutions bought between 5,000 and 75,000 shares.

Mr Douglas Nation, managing director of Bear Stearns International, says the market in the shares of many small U.S. regional banks is very small. It is impossible to invest substantial amounts without moving the price significantly—hence the resort to private placements.

Fox Pitt Kelton, another U.S. investment house, has raised $10m for Hawkeye Bancorp, $6.6m for Southwest Bancshares, and is in the process of finalising a similar deal for United Bancorp of Arizona—the fourth largest bank in Arizona.

U.S. BANKS—recent European private placements

Bank	Amount $m	Approx. stake %
Citizens Fidelity	10.8	9
First Oklahoma	11.2	7
Hawkeye Bancorp*	10.0	13
Southwest Bancshares	6.6	3
United Bancorp of Arizona	6.6	11

* Convertible

The bank has assets of $830m, a market capitalisation of $55m, and is raising between $6m and $7m by increasing its equity capital by more than 12 per cent. It is issuing 200,000 shares at $34 each and while most will be placed in the UK, French and Swiss investors will also take some.

Mr Anthony Hamilton of Fox Pitt Kelton says there are plenty of small regional U.S. banks which would like to tap the UK private placement market. It is a less complicated way of raising money than in the U.S. and is considerably less expensive.

Howell may ease rules on cheap car imports

By Alan Forrest

THE GOVERNMENT now appears likely to make it slightly easier for Britons to import cars from the Continent at prices below those charged here.

Discussions on the regulations governing such transactions are still going on, but Mr David Howell, the Transport Secretary, now seems in favour of some relaxation. He was at one time expected to bow to pressure from the UK industry, which wanted to make it harder for someone in Britain to buy a car abroad, often with a saving of thousands of pounds over the UK price, and then import it.

Supporters of easing the regulations argue that it would not represent a dramatic U-turn in government policy. Fears have been expressed that a rigid stand against the imports would be a breach of EEC laws. Mr Christopher Jackson, Conservative Euro-MP for Kent East, has suggested that action could be taken against Britain in the European Court.

Last night the Department of Transport refused to be drawn on the probable outcome of the discussions. "There has been no decision yet, and nobody knows how it will go. Certainly, a lot of discussion has concentrated on "type approval" regulations and what can be done in this area."

"Type approval" is the formal approval given to a car certifying that it conforms to British technical and safety standards. It is not needed for cars imported by private individuals, but dealers buying abroad must obtain the certificate, usually available only from the manufacturer, before the car can be registered in Britain.

UK acts on Malaysia row

BY ALAIN CASS, ASIA EDITOR

A MAJOR effort is under way in Whitehall to co-ordinate Britain's response to Malaysian policy which appears to discriminate against British companies and has led to a serious rift in trade relations.

A key factor behind the row is the increase in fees charged to overseas students in Britain. Dato Najuid Tun Razak, Malaysia's deputy Finance Minister, said in London on Friday that an improvement in trade relations hinged on the British Government rescinding its decision to raise fees. Malaysia has nearly 20,000 students in the UK.

In Whitehall, a committee comprising senior officials from the Foreign and Commonwealth Office, Departments of Trade and Industry, the Ministry of Defence and other ministries is monitoring developments and mapping out a strategy. A key factor is to ensure nothing accidental happens which would worsen relations.

British firms dealing with Malaysia have been shaken by developments. They stand to lose millions and eventually billions of pounds in sales and profits.

Several major contracts are expected to be awarded in the next few weeks, which officials believe will be the real test of the new policy. No official figure exists for lost sales since the crisis began in October. Unofficial estimates of contracts so far which British companies might have hoped to get but did not are put at between £25m and £30m.

Some contracts have been awarded, however, including a number in defence related fields.

Extensive talks between Whitehall and major British companies with interests in Malaysia have attempted to prevented the rift getting wider.

Relations deteriorated when Dr Mahathir Mohamed, Malaysia's new Prime Minister, announced in October that all Government trade and commercial transactions with Britain would have to be referred to his office. This was in response to what Dr Mahathir considers to be Britain's unsympathetic attitude towards its former colony.

In addition to the question of fees for foreign students, Malaysia's complaints range from demands for increased landing rights for the national airline to what Malaysian officials regard as the "arrogance" of British Ministers and some company executives.

On fees, the Government is anxious to encourage companies doing business in Malaysia to offer scholarships in Britain. But officials say a change in policy is unlikely and Britain cannot make an exception

Whitehall officials recognise that the new Malaysian policy is not a flash in the pan and that a fundamental change in attitude is required. Whitehall's strategy over the next few weeks appears firmly rooted in the belief that relations can be salvaged. But officials do not entirely exclude a complete break in trade relations.

Long-term contingency plans to deal with such an eventuality are being worked out. British exports to Malaysia last year were worth £223m, while imports were £187m. British investments in Malaysia are thought to be about £2bn.

Lord Carrington, the Foreign Secretary, is due to visit Malaysia next month. The hope in Whitehall is that he and Dr Mahathir can then lay the foundations for a new relationship.

Thatcher refuses to waver from course in face of Tory pressure

BY PETER RIDDELL, POLITICAL EDITOR

MRS THATCHER offers no hint of concessions to her Conservative Party critics in an uncompromising message to party supporters.

Her theme, in Conservative News, published today, is "determination, born of the conviction that the course we are following is the right one, that it is beginning to show results, and that we are winning our way through the most severe recession for 50 years."

"The worst mistake of all, would be to relax our efforts now, at the very moment when we have the prospect of bringing about lasting recovery in Britain."

Mrs Thatcher's emphasis is intended to be a rallying-cry to the party faithful, but it is significant that there is no hint of the shifts summed up by the vogue word "flexibility" which has been included in her recent Commons speeches. There is also no attempt to justify the rise in public spending next year above previously planned levels.

She urges Tories to "beware of that new, beguiling expression creeping into our opponents' vocabulary, so beguiling that even some of our own supporters are using it, 'reflation.' Remember that all it means is re-inflation."

"It means the Government spending billions and billions of pounds it does not have in order to buy a short-term advantage and a short-term popularity at the expense, within the space of a year or two, of even greater inflation leading to even greater unemployment," she said.

The implication is that the wets may be disappointed if they expect a significant relaxation in the spring budget, although some tax cuts could, no doubt, be found to be consistent with Mrs Thatcher's words. Tory backbenchers meeting Sir Geoffrey Howe, the Chancellor, last week detected no policy shift in response to criticisms from inside and outside the party.

Some senior Tory backbenchers have criticised Sir Geoffrey's performance.

There are signs that their pressure is being matched by a group of right-wing MPs concerned about the concessions to rebels after recent Commons revolts.

Dell's role in Guinness Peat studied

By William Hall, Banking Correspondent

LORD KISSIN, the founder and life president of the Guinness Peat group, who recently announced he wanted to acquire a significant stake in the commodities to banking group, is believed to favour the appointment of a new chief executiveof Guinness Peat.

This would leave Mr Edmund Dell, the former Labour cabinet minister and present chief executive, free to concentrate on being group chairman.

Lord Kissin and his advisers, Hambros Bank, are understood to feel that a redistribution of authority at the top of Guinness Peat would be in the best interests of the group and would help resolve the differences between Lord Kissin and Mr Dell, his successor.

Since Mr Dell took over as chairman in November, 1979, the group's profits have fallen sharply. It has had to cut its dividend and several subsidiaries have been sold.

There has been speculation in recent months that Lord Kissin and some other large shareholders were unhappy with the direction the group was taking. Matters were brought to a head recently when Lord Kissin notified the Guinness Peat board that he wanted to acquire a significant stake — rumoured to be 20 per cent — to demonstrate his confidence in the group.

The Bank of England has been drawn into the row between Mr Dell and Lord Kissin at a very senior level, including Mr. Gordon Richardson, the Governor, and has been trying to get the two sides to reach a compromise which would enable the affair to be solved amicably. The Bank of England declined to comment yesterday.

Lord Kissin is understood to feel that the recent spate of disposals by Guinness Peat has sapped staff morale.

Weather

UK TODAY

RAIN OR sleet, some sunshine, colder in east.

London, S.E., Midlands, N.W. Cloudy, some showers. Max. 4C (41F).

East England and Scotland, Orkney Shetland. Rain or sleet. Max. 4C (41F).

S.W. England, Wales, Channel Isles. Some sunshine interspersed with showers. Max. 9C (48F).

N. Ireland, Isle of Man, Lake District, rest of Scotland. Sunny intervals, wintry showers. Max. 6C (43F).

Outlook: Unsettled, snow or sleet likely in east. Rather cold.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	11	52	L. Ang.†			
Algiers	S	15	59	Luxmbg.	C	-6	21
Amsdm.	C	-3	27	Luxor	S	27	81
Athens	S	15	59	Madrid	C	0	32
Bahrain	S	24	75	Majorca	S	15	59
Barcina.	F	10	50	Malaga	C	12	54
Beirut	C	19	66	Malta	C	11	52
Belfast	C	6	43	M'chstr	Sl	1	34
Belgrd.	Sn	-5	23	Melbne.			
Berlin	F	-8	18	Mx. C.†			
Biarritz	C	11	52	Miami†	C	4	39
Bmghm.	C	1	34	Milan	S	2	36
Blackpl.	Sn	1	34	Mntrl.†	Sn	-12	10
Bordx.	C	5	41	Moscow	C	-7	19
Boulgn.	C	0	32	Munich	F	-9	16
Bristl.	R	3	37	Nairobi			
Brussels	C	-4	25	Naples	F	8	46
Budpst.	C	-8	18	Nassau			
Cairo	F	22	72	Nwcstl.	Sl	1	34
Cardiff	C	6	43	N. York†	F	5	41
Cas'b'ca	S	16	61	Nice	S	10	50
Cape T.	F	22	72	Nicosia	C	19	66
Chicg.†				Oporto	C	14	57
Cologne	C	-3	27	Oslo	S	-17	1
Cpnhgn.	F	-8	18	Paris	C	-2	28
Corfu	C	9	48	Perth	S	23	77
Denver†	F	8	46	Prague	S	-7	19
Dublin	F	8	46	Rykvk.	F	-3	27
Dbrvnk.	C	9	48	Rhodes	C	17	63
Edinbgh.	Sl	2	36	Rio J'o†			
Faro	T	13	55	Rome	S	9	48
Florence	S	7	45	Salzbrg.	F	-5	23
Frankft.	C	-6	21	S'cisco†	R	14	57
Funchal	F	20	68	S. Mritz.			
Geneva	R	-5	23	Singapr.			
Gibrltr.	F	14	57	S'tiago†			
Gl'sg'w	Sn	1	34	Stckhm	Sn	-5	23
G'nsey	C	6	43	Strasbg.	C	-6	21
H'lsinki	Sn	-9	16	Sydney			
H' Kong	S	15	59	Tangier	F	14	57
Innsbrk.	S	-9	16	Tel Aviv	F	19	66
Invrnss.	R	3	37	Tenerife	F	15	59
I.o.Man	R	6	43	Tokyo	S	12	54
Istanbul	R	10	50	T'r'nto†	F	-14	7
Jersey	C	5	41	Tunis	F	13	55
Jo'burg	S	30	86	Valencia	F	13	55
L. Plms.	C	19	66	Venice	S	3	37
Lisbon	R	13	56	Vienna	C	-5	23
Locarno	S	1	34	Warsw	Sn	-4	24
London	Sn	2	36	Zurich	S	-6	21

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Polish workers

Continued from Page 1

from Katowice, capital of the province where seven miners ere killed last Wednesday.

However, travellers arriving in Vienna from Warsaw had a very different tale to tell. The pit had been strike-bound since martial was declared a week ago and the miners had barricaded themselves in, according to one eye-witness.

News of continuing strikes followed a call for mass stoppages by Mr Lech Walesa, the Solidarity leader, who is reported to be under house-arrest at a villa near Warsaw.

Estimates of the number killed and injured since the military took over vary. Figures compiled by the Roman Catholic Church indicate that at least 200 Poles have lost their lives in clashes with police and military over the past week and about 1,000 have been injured. The bulk of these casualties have occurred in Katowice.

Western reports of the numbers arrested in Poland have mounted in some cases as high as 50,000. But the Polish ambassador to Sweden said in an interview at the week-end that a realistic estimate would be about 4,000.

The Roman Catholic Church in Poland is adopting a low profile. In a depressing pastoral message, read at Sunday masses, Archbishop Jozef Glemp, the Polish Primate, said that the Church is now "powerless in the face of evil."

In London yesterday, 15,000 people took part in a pro-Solidarity rally in Hyde Park and later marched to hte Polish Embassy to hand in a letter of protest over the imposition of military rule.

In addition, a group of Tory MPs and industrialists yesterday called on Britain and other Western nations to take action. They said in a letter to the Prime Minister that events in Poland aroused "the conscience and indignation of the entire free world."

Jenkin review

Continued from Page 1

he had told Sir Michael to cool his approach during the subsequent troubles at Longbridge.

But he indicated that he wanted a change when he said: "I made it very clear I welcomed moves in the direction of consultation with the workforce. Jaw jaw must be better than war war. But it is not for my Department to tell Sir Michael what to do

Mr Jenkin's new policy unit will be headed by one of the Department's brightest civil servants, who will be under 40 and will be hand picked by Sir Peter Carey, the Department's permanent secretary.

Sir Peter will retain some control of the unit. Ideas for its work will come from Mr Jenkin and other Ministers, Sir Peter and his senior colleagues, and from the unit's own staff of three or four who will include an economist and a scientist.

Ultimatum on financial futures

BY DAVID MARSH

THE PLANNERS of London's financial futures exchange have delivered an ultimatum to the International Commodities Clearing House, which is at the centre of a takeover wrangle between the Trustee Savings Bank and the big London clearing banks.

ICCH, which provides clearing facilities for London's soft commodity markets, is planned to provide the same service for the financial futures exchange, which aims to start trading next September.

But unless the dispute over ICCH's ownership can be resolved by the end of the month—which appears unlikely—the financial futures exchange will start looking for alternative ways of securing clearing facilities.

The imbroglio over ICCH is a severe embarrassment to all concerned. It has arisen because the Bank of England wants the company, presently owned by the TSB, to be placed in the hands of a consortium of financial institutions.

Without the shareholder restructuring, the Bank believes that ICCH would be unable to play its planned key role in clearing and guaranteeing contracts on London's new markets in financial and gold futures.

Loss of the contract to service the financial futures market would be a severe blow to the expansion plans of ICCH.

The clearing banks, which have been selected by the Bank of England as the natural candidates to take over the company, have complained that the initial asking price of about £80m is about twice as high as they want to pay.

Although negotiations on the takeover have been going on for months, one banker said last week: "There is still no material change in the position."

Mr Michael Jenkins, chief executive of the financial futures exchange, said at the end of last week that the exchange was looking for a sign that both sides had reached agreement on terms for the takeover. "Unless we get this sorted out by the end of the month, we'll go ahead and work on alternatives."

Mr Jenkins said that the exchange was determined not to delay the planned starting date of September. Since it would take around nine months to work out alternative arrangements, this set a natural deadline at the beginning of January.

One option would be for the exchange to set up its own clearing operation. This could then be guaranteed by a consortium of clearing banks, perhaps together with other financial institutions, to provide the independent financial backing sought by the Bank of England.

THE LEX COLUMN

Laker and its lenders

When banks go out actively looking for business, they are apt to pick up some doubtful lending. When they are trying to establish themselves rapidly in eurocurrency financing, the risk is even greater. The plight of Laker Airways should surprise no one but the company's bankers.

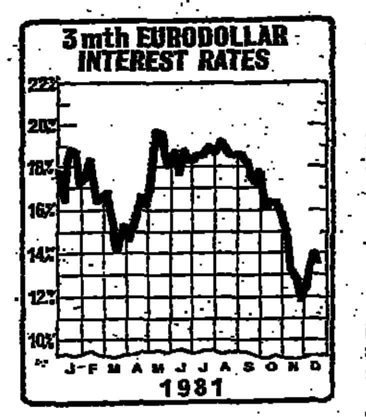
Aircraft financing is a business more redolent of Hollywood than the City at the best of times, and when Laker raised $228m a couple of years ago to fund the purchase of DC-10s the loan dwarfed a tiny equity base. The banks involved at least had the comfort of a large Ex-Im Bank guarantee, and some recourse to the manufacturer, McDonnell Douglas.

Large amounts of money have been made by dealing in what amount to options on aircraft—ordering planes in the knowledge that they can probably be sold at a profit if the operator has no use for them. Laker's order for 10 Airbuses seems to have come at least partially into this category. The airline was at first confident that it could sell the planes if it was unable to get permission to fly them on certain routes, and a $131m consortium loan, arranged through Midland Bank, was put together in January 1981. But although Laker's summer traffic had been strong in 1980, this additional debt left the balance sheet extremely exposed at a time when the warning lights were already flashing in the airline industry.

The new loan took Laker's debt to equity ratio up from 4:1 to 6:1—the decline of sterling soon made it 7:1. Over the previous two years £5m of retentions—amounting to a fifth of total equity—had represented unrealised exchange gains on outstanding dollar debt as the pound has strengthened. In the year to March 1980 Laker's pre-tax profit before such gains had been less than £½m on turnover of £111m, and without realised currency gains on loan repayments the company would have been in loss before exceptional items.

The availability of such financing inevitably fostered overtrading. Now, the banks' "survival plan" requires that Laker should sell planes and raise fares—precisely what the January loan enabled it to avoid.

Laker has claimed that the banks did not encourage the use of forward currency markets to cover the mismatch on the company's revenue account. Part of the explanation seems to be that the currency departments of some banks were not keen to take on the minor credit risk that a forward deal with Laker would involve. They appear to have applied different credit controls from the eurocurrency lenders.



The struggle to save Laker involves reputations as well as money. Customer default within a year on a big consortium loan would be desperately embarrassing for Midland. Laker's suppliers have a direct interest, too; McDonnell Douglas has been particularly co-operative on the question of a capital restructuring, presumably because it would not welcome the release of a fleet of DC-10s on to a soggy second-hand aircraft market. In general, the prevention of a corporate failure becomes more urgent if banks are over-committed. No wonder the clearers want to lend on semi-detached property in Hounslow.

Dawn raids

The virtual failure of Thursday's assault on Henlys underlined, among other things, the growing resistance to dawn raids among investing institutions. The brokers retired from the battlefield as dusk was drawing in, with less than 5 per cent of the company.

The raid's image admittedly perked up on the following day after Cazenove's successful swoop on Croda. But Burmah Oil paid a premium of 61 per cent over the opening price for its statutory 15 per cent and institutions may yet wish that they had held on.

High premiums were not so very uncommon during the hey-day of the dawn raid early last year. Times Publishing, for example, paid 42 per cent above the market price for its holding in Marshall Cavendish. But the average premium was certainly lower than it is now.

Institutions have learnt the hard way that it rarely pays to sell out in a raid. Last year's attack on Carpets International was a rare example of selling at thetop. Increasingly, raids have been used as a springboard for a full bid which, as was the case with Croda, follows almost immediately after the market operation.

So institutions which sold to Hanson Trust during the July raid on Berec at 95p have missed the chance to cash in on this month's 150p bumper offer. Similarly, the Mills and Allen raid on Letraset was eventually topped by an Esselte bid 38 per cent above the raid price.

The jobbers, not surprisingly, have caught on rather faster than the investors. They are now very reluctant to sell short during a raid (a feature of the notorious Consolidated Gold Fields affair) when a full bid may leave them exposed. This makes life harder for the brokers, who have themselves learnt the pitfalls of raiding. A regular client sitting behind a nominee name or unavailable on the telephone can be displeased by his broker's failure to get in touch.

The attractions of the raid to a bidder have been slightly diminished by the rules introduced a year ago by the Council for the Securities Industry. Limiting lightning raids to 15 per cent of the equity means that a company already holding 4.99 per cent can obtain only 40 per centof the stock that was available to it under the old rules. So, with raid premiums on the rise, the case for beginning with a general offer is becoming stronger.

The risk of a security leak, which has complicated several raids, is another deterrent to the bidder and it is perhaps significant that Burmah did not consult Croda at all before making its move on Friday.

Financial argument aside, not every pension fund trustee has been delighted to see his investment manager selling a suposedly long term holding for a fast profit. The insurance companies in particular have taken an ethical stance on dawn raids, though, as Friday's swoop showed, a fat enough premium can still tempt institutions into the market.

The raiding technique is undoubtedly becoming more refined. Some institutions may now be lightening their holdings during a raid in order to encourage a full blooded bid. The CSI rules have restricted the freedom of raiders but they are unlikely to stamp the phenomenon out. By limiting the options open to a minority holder in an exposed company, the CSI may, for example, encourage arbitrageurs to take a strategic stake in the hope of flushing out a general offer. The dawn raid variations have not yet been exhausted.

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